

Iranians Execute Ghotbzadeh for Role in Coup Plot

Compiled by Our Staff From Dispatches
NICOSIA — Sadeq Ghotbzadeh, the former foreign minister in Iran's revolutionary regime who was a confidant of Ayatollah Ruhollah Khomeini, has been executed by a firing squad for plotting to overthrow the Iranian government, the Iranian news agency said Thursday in reports uncorroborated here.

The agency said the execution was carried out Wednesday night in Tehran on the basis of a verdict issued by the Revolutionary Tribunal and approved by the High Judicial Court. The agency gave no other details of the execution.

Mr. Ghotbzadeh, 46, was convicted of leading a plot to seize power with the support of Ayatollah Khomeini, a moderate rival of Ayatollah Khomeini. Mr. Ghotbzadeh also was convicted of having connections with several Western countries, including the United States, the news agency said.

Mr. Ghotbzadeh was arrested in April. A few days later, he was taken to Iran, where he was held in custody. He was executed before the nation. Free me or execute me," he said. "I am not a criminal. I am a man of honor."

Thatcher Goes to Asia For Trade, Colony Talks

Compiled by Our Staff From Dispatches
LONDON — Prime Minister Margaret Thatcher left Thursday on a two-week trip to the Far East aimed at selling more British goods to Japan, improving ties with China and discussing the future of Hong Kong — Britain's richest remaining colony.

In Hong Kong, the magazine *Wide Angle*, which is regarded as well-informed on Beijing affairs, said Thursday that Xiang Nan, a member of the Central Committee of the Chinese Communist Party, has come out in favor of turning the colony into an administrative zone of China run by foreigners, including Britons, in partnership with the Chinese. Britain's lease on most of the territory runs out in 15 years.

The magazine quoted Mr. Xiang as saying China was resolute in its demand for sovereignty over Hong Kong. But he said China also wanted to maintain the territory's prosperity and status as a free port and financial center.

China already has indicated it would consider some kind of special arrangement. But there has been no proposal on the record as specific as the plan attributed to Mr. Xiang.

ily convicted of supporting the former foreign minister. Ayatollah Shariatmadari's son-in-law, Ahmad Abbasi, and several aides are still on trial on the same charges. The Iranian news agency said their sentences would be announced soon. The ayatollah was placed under strict house arrest in the holy city of Qum after the discovery of the plot.

When Mr. Ghotbzadeh's trial began last month, he pleaded not guilty to the charge of plotting to assassinate Ayatollah Khomeini. But he did admit to plotting against the government, the news agency reported at the time.

The agency quoted Mr. Ghotbzadeh as saying during his trial: "We wanted to topple the government, but not Imam Khomeini. I believe in him but not in the others, who are ruining the country and Islam."

Hojatolislam Mohammed Reza Shari, the prosecutor in the trial, said Mr. Ghotbzadeh headed a group of military men and civilians who plotted to blow up Ayatollah Khomeini's home with long-range artillery.

In the late 1970s, while Ayatollah Khomeini was living in exile near Paris, Mr. Ghotbzadeh became one of his closest confidants, acting as his security chief, translator and key spokesman. In February 1979, when the ayatollah made



Ayatollah Ruhollah Khomeini and Sadeq Ghotbzadeh in January 1979, shortly before the ayatollah ended his French exile. Mr. Ghotbzadeh later became the Iranian foreign minister.

a triumphant return to Iran after 20 years abroad, Mr. Ghotbzadeh was on the same plane.

Appointed to direct the revolutionary government's radio and television network, Mr. Ghotbzadeh quickly emerged as one of the most powerful men in Iran. But he also antagonized many moderates in the government, making them targets of constant criticism.

He was named foreign minister a few days after student radicals seized the U.S. Embassy and took American hostages in November 1979. He gained prominence during



Prime Minister Margaret Thatcher and her husband, Denis, leave No. 10 Downing St. Thursday for a trip through Asia.

Officials said her talks about Hong Kong are not expected to settle the future of the colony, which has a population of 5.1 million — half of them nominally British citizens, although more

than 99 percent of them are ethnically Chinese. Fears of a Chinese takeover in 1997 have already slowed investment in long-term construction projects and undermined stock prices in the colony.

The doctors' awareness of the very threatening nature of the princess's injuries came immediately with her hospitalization. Dr. Chatelein said, but the palace communications concentrated from the start on her broken collarbone and thigh bone.

By Monday night it was apparent that Princess Grace was unlikely to survive, the doctors said, but a palace spokesman was still reporting on Tuesday afternoon that her condition was stationary, and that Princess Stephanie, who in fact received a lesion of the seventh cervical vertebra — "a discrete fracture," Dr. Dupuy said Thursday — was recovering from bruises.

"The communications were administrative ones, not medical bulletins," Dr. Dupuy said. Dr. Chatelein called them "garbage."



Princess Caroline, along with her brother, Prince Albert, face obscured, being driven back to the royal palace in Monaco after visiting their sister, Princess Stephanie, in the hospital on Thursday. They were accompanied in the car by Prince Rainier.

Israel Controls West Beirut; U.S. Demands It Withdraw

Compiled by Our Staff From Dispatches

BEIRUT — Israeli tanks and troops took control of most of West Beirut on Thursday after fierce battles with leftist militiamen, the Lebanese state radio and Western correspondents reported. Israel announced it controlled "all key points" in the Moslem sector of the Lebanese capital.

In Washington, the United States denounced the advance and demanded an immediate pullback of Israeli forces, but officials in Tel Aviv said it was unlikely the troops would pull out until the danger of renewed civil war eased.

Lebanon's prime minister, Shafiq al-Wazzan, had called earlier in the day for urgent U.S. help to end what he called Israel's conquest of the city, and Lebanon called for a United Nations Security Council meeting.

John Hughes, the chief State Department spokesman, said in Washington that the thrust by Israeli troops and armor was a "clear violation of the cease-fire understanding" arranged by Philip C. Habib, a U.S. special envoy.

"There is no justification in our view for Israel's continued military presence in West Beirut and we call for an immediate pullback," Mr. Hughes said.

He said the Reagan administration waited 24 hours before criticizing Israel's move because "yesterday was a confused situation" and because Israel had given assurances its move was only "limited and precautionary."

"The situation has changed," he said. At the White House, the deputy press secretary, Larry M. Speakes, read a similar statement calling for a pullback and said, "you can certainly infer" that the U.S. position was to demand an immediate withdrawal of Israeli forces.

Asked if the United States was considering sending U.S. Marines back into Beirut if they are needed to restore order, Mr. Speakes said: "No."

Prime Minister Wazzan said over the state radio from his office in West Beirut. "The United States has a great responsibility. We are waiting, and the whole world is waiting, for the American action."

In addition to the appeals to the United States, Mr. Wazzan telephoned King Fahd of Saudi Arabia and met with the French external affairs minister, Claude Cheysson, seeking international support for Lebanon's attempt to regain control over its capital, spokesmen said.

Mr. Wazzan claimed Israel had used the assassination Tuesday of President-elect Bashir Gemayel to excuse its invasion of West Beirut.

The prime minister said the U.S.-brokered agreement under which 8,000 Palestinian guerrillas evacuated several weeks ago stipulated that Israel should withdraw from the Beirut port area, the international airport and the "Green Line" that divides the city into Moslem and Christian sectors once the Palestinian evacuation was completed.

The stipulations, West Beirut Moslem leaders said, are contained in heretofore unpublished appendices of the withdrawal agreement negotiated by Mr. Habib.

But the Israeli officials in Tel Aviv, who requested anonymity, said the agreement made no mention of Israeli deployment in West Beirut.

The Israeli military command said, "This step has been taken to prevent any renewed organization between the terrorists and the leftist militias." Israeli uses the term "terrorists" to refer to PLO fighters.

Although the PLO fighters departed West Beirut three weeks ago for eight Arab nations, Lebanese newspapers and Israeli military sources say that 2,000 to 4,000 leftist and Moslem militiamen remain in West Beirut.

On Thursday, the second day of their advance into the former stronghold of the Palestine Liberation Organization, the Israelis aimed barrages of tank fire at

INSIDE
■ U.S. blacks, said President Reagan, "would be appreciably better off today" if the Great Society had never taken place. He was responding to recent criticism of his administration. Page 3.

■ At 59, Charlton Heston still looks as if he just stepped down from Mount Rushmore. His political views are equally stony. Weekend, Page 7W.

■ China's Party Congress may be remembered as a moment of uneasy peace between Deng Xiaoping and the brass. Although he shifted the party's ideological focus from Maoist activism to his own brand of socialism, some feel that he was forced to sacrifice important goals. Page 2.

■ The London International Financial Futures Exchange opens Sept. 30. A supplement examines the exchange's methods and compares it to similar markets. Page 14S.



Three civilians caught in a cross fire raced for cover Thursday on Hamra Street, the commercial center of Beirut, as Israeli troops continued their advance into the capital's Moslem sector.

Begin Charges PLO Tricked 3-Nation Force Over Pullout

Reuters

JERUSALEM — Prime Minister Menachem Begin said Thursday the Palestine Liberation Organization had deceived the multinational force that supervised the evacuation and left behind large numbers of fighters in West Beirut.

Israeli officials also said Defense Minister Ariel Sharon told a special U.S. envoy that Israel would not heed Washington's demand to immediately withdraw its troops from West Beirut, which it seized in a two-day assault.

They quoted Mr. Sharon as telling the envoy, Morris Draper: "We have saved Lebanon again for you."

The officials stressed that the defense minister was speaking for himself and not on behalf of the Israeli government, which began a special cabinet session shortly afterward to debate the issue.

Addressing a political rally earlier in Tel Aviv, Mr. Begin said the "terrorists" cheated the foreign supervisory force and did not remove all their members as previously agreed.

He reiterated that Israel was "not interested in taking even a single centimeter of Lebanese territory."

"Our troops will leave Lebanon

together with the other remaining foreign forces," he said.

The prime minister called on the Lebanese people to "form a strong central government despite the tragic assassination of President-elect Bashir Gemayel."

Mr. Begin has called a special cabinet meeting amid reports of ministerial opposition to the latest military moves.

Israeli newspapers said he and Mr. Sharon have been sharply criticized by government colleagues for failing to consult them before ordering the army into action a few hours after Mr. Gemayel's death.

Opposition leaders have expressed concern about the prospect of a long and potentially bloody involvement in Lebanon's political strife.

Yosef Sarid, a Labor Party member of the Knesset, likened recent Israeli action to that of a man sinking in a quagmire with "each new step leading him deeper and deeper into the swamp."

His view was shared by the small opposition Shinui party, which said in a statement that Israel must not use Mr. Gemayel's death "as a pretext to become the policeman of Lebanon and become involved more deeply in that fragmented country."

Polish Regime Says Offer of Talks Was Ignored by Solidarity Leaders

By Michael Dobbs

Washington Post Service

WARSAW — The interior minister revealed in Poland's parliament Thursday that the martial-law authorities had sought unsuccessfully to hold secret talks with underground leaders of the suspended Solidarity union.

In a report to the Sejm on the recent street disturbances, the interior minister, General Czeslaw Kiszczak, said the offer of talks had been relayed in April through representatives of the Roman Catholic Church.

The Solidarity leaders, who have been coordinating the union's opposition to the military regime, failed to respond.

The minister said that among the Solidarity officials involved were Zbigniew Bujak, Bogdan Lis, and Wladyslaw Frasyniuk. The three men escaped arrest when martial law was imposed Dec. 13 and, on April 22, formed what was described in a communiqué at the time as a "Provisional Coordinating Commission" for Solidarity.

Meanwhile, Jan Jozef Lipiski, the dissident who returned Wednesday to Poland from the West to face charges of attempting to overthrow the state by force, was detained at his Warsaw home Thursday morning and later formally arrested. His daughter said he was in Warsaw's Rakowiecka prison following an interrogation by representatives of the military prosecutor's office.

"Secure Guarantees" General Kiszczak, by making the government initiative public, appeared to be seeking to create an impression of the goodwill of the martial-law authorities in contrast to the alleged intransigence of the underground movement. He said the Solidarity leaders had been offered "secure guarantees" that would have enabled them to return to hiding whatever the results of the talks.

"The only answer to our proposal was silence or pronouncements indicating a complete lack of realism in judging the situation ... Their final reaction was to organize demonstrations and street riots," he said, referring to the na-

tionwide protests that took place Aug. 31 on the second anniversary of the Gdansk agreement that recognized free trade unions.

It is not known why the Solidarity leaders decided to ignore the government offer. Union sympathizers, however, said the activists would have been running a considerable risk in emerging from hiding without any assurance that the authorities were prepared to compromise on substantive issues.

General Kiszczak said the government's aim in seeking the talks with the Solidarity leaders was "to open a road for them to leave conspiracy and return to normal life."

Protests in 66 Towns

Giving further details of the Aug. 31 demonstrations, the minister indicated that they were on an even wider scale than earlier acknowledged. He said they had flared up in 66 towns across the

country, with more "serious" disturbances taking place in 25 towns. According to official figures, 5,131 persons were detained during the demonstrations, of whom over 300 are now serving prison sentences.

Insisting that Aug. 31 had represented a victory for neither side, General Kiszczak said that "dialogue in the interest of our country cannot be conducted with stones. Molotov cocktails and crowbars on one side and water cannon, chemical equipment and truncheons on the other."

Fresh disturbances were reported Wednesday night in Wroclaw following a soccer match between the Wroclaw Slask club and Dynamo of Moscow. After the game, which was drawn 2-2, groups of youths were dispersed by riot police using tear gas and water cannon when they chanted anti-government slogans.



Interior Minister Czeslaw Kiszczak speaking Thursday before Poland's Sejm. In the background are General Wojciech Jaruzelski and Deputy Prime Minister Roman Malinowski.

Beyond Hoopla, Maneuvers Between Deng and Army Marked Beijing Congress

By Michael Weisskopf

Washington Post Service

BEIJING — A subtle but telling political sideshow was acted out amid the hoopla of China's recent Communist Party congress.

On Sept. 9, which was the anniversary of Mao's death, the Chinese military launched a kind of commemorative candle, the latest in a series of scientific earth satellites.

Although official news organizations, which are controlled by Deng Xiaoping, the paramount leader, gave prominent coverage to the satellite, it conspicuously ignored the sixth anniversary of Mao's passing.

In the ritualistic world of Chinese politics, the timing of the space shot could have been no more coincidental than neglecting Mao's death could have been accidental.

In fact, this little display outside the congress is believed to reflect the intense political debates over Mao's legacy that turned what was expected to be a clear victory for Mr. Deng into a split decision.

Years from now the 12th party congress may be remembered as a moment of uneasy peace between Mr. Deng and military leaders.

Few would disagree that Mr. Deng decisively shifted the party's ideological focus away

from Maoist political activism to his own brand of scientific socialism. The new party constitution and the congress's political report chart a course based on Mr. Deng's pragmatic solutions, not Mao's radical theories.

But, diplomats say, Mr. Deng was forced to sacrifice some important organizational goals.

NEWS ANALYSIS

apparently to get his political program past conservative generals who cherish Mao's memory with almost religious energy.

"The congress was a patchwork of compromises that proves Mr. Deng is still looking over his shoulder at Mao," said a Western analyst of the Chinese military. "He just wasn't strong enough to overrule the marshals on every item."

Any loss to Mr. Deng must be measured against his significant institutional gains. For the first time, he managed to pack enough of his supporters on the ruling Politburo to guarantee a clear majority on that key legislative-executive body and its elite six-member Standing Committee.

He finally managed to depose Mao's hand-picked successor, Hua Guofeng, from top party ranks after a four-year power struggle.

Still, the new Politburo makes a mockery of Mr. Deng's aims both to professionalize the party's decision-making apparatus and to sideline aged and outdated Communists, many from the army who have been running the party since the 1930s and often have little use for Mr. Deng's innovations.

Instead of making way for a new breed of technocrats, the Politburo looks like a reunion of army veterans from the Long March of 1934-1935. Twelve of its 28 members participated in that guerrilla retreat from Nationalist Chinese forces, including three marshals in their 80s.

The addition of two active generals — Yang Dezhi, 72, the army chief of staff, and Qin Jiwei, 72, the military commander of the Peking region — gives the Politburo its largest number of functioning, uniformed soldiers (eight) since the Communists began ruling China in 1949.

Their presence along with about 50 officers who were elected to the 210-member Central Committee, where the army is the dominant professional body, assures the military of an unexpectedly strong voice in national affairs for years to come.

"We've been hearing all along that military

leaders should draw back from decision-making and concentrate on military concerns while civilians run the bureaucracy," said a Western diplomat. "This kind of upsets the plan."

China's military, with its 4 million men in uniform, has never threatened to seize power under Communist rule. But it has long played an important role in domestic politics, chiefly as an arbiter helping to resolve power struggles between rival factions.

It was the army that helped launch Mao's Cultural Revolution in 1966 and then helped remove Maoist radicals 10 years later.

While many military officers are known to support at least some of Mr. Deng's programs, they represent bureaucratic interests and an orthodox Maoist philosophy at odds with his reforms.

Nevertheless, Mr. Deng, an old army political commissar who retains control of the military as head of its ruling commission, continuously appeals military interests to assure the stability he considers vital to his economic modernization goals, according to diplomats.

After all, it was the army that gave its consent to Mr. Deng's political re-emergence after the leftist purge of 1976.

Beijing's harsh crackdown on poets and writers who have criticized Mao and exposed the corruption of military officers is seen as an example of Mr. Deng's conciliatory strategy to keep peace with the generals.

Another is the long postponement of plans to restore military ranks. Mr. Deng wants this done to help professionalize the officer corps, analysts said, but he has deferred to sideline military leaders who cling to Mao's concept of egalitarianism.

Departure of Geng Biao

A more immediate concession at the congress, according to foreign observers, was the dumping from the Politburo of Mr. Deng's old ally, Geng Biao, 73. Mr. Deng promoted Mr. Geng as China's first civilian defense minister last year, reportedly over the strenuous objections of professional soldiers.

An apparent sop to the military, Mr. Geng's "retirement" from the Politburo is all the more curious because the man he replaced as defense chief, the conservative Marshal Xu Xiangqian, remains a member even though he is seven years Mr. Geng's senior and supposedly lost his minister's portfolio because of old age.

Oldtimers like Marshal Xu and his fellow

marshals, Ye Jianying, 85, and Nie Rongzhen, 82, were expected to withdraw to the new Central Advisory Commission, which Mr. Deng pushed through the congress as a graceful way to draw his political foes into retirement.

But Mr. Deng was deprived of this objective, too. Only two of the outgoing Politburo's ancient military men joined the advisory panel, and the three marshals even refused to step down from their sinecures on the commission that runs the army.

Compromises of this sort apparently were necessary for Mr. Deng to assure military support both to move aside Mr. Hua and pass a political program that in many respects runs against the military grain, diplomats said.

Constitutional revisions abolishing the post of party chairman that Mao created and held for 50 years and eliminating Mao's call for "permanent revolution" and "class struggle" are believed to be difficult for military veterans to swallow.

Analysts believe it is a trace that advances the vested interests of Mr. Deng and the military while enhancing China's political stability overall. The question is whether the peace can outlast the players.

Reagan Greet Marcos, Citing 'Common Ideals'

By Richard M. Weintraub

Washington Post Service

WASHINGTON — President Ronald Reagan warmly welcomed President Ferdinand E. Marcos of the Philippines on Thursday, citing the "common ideals" and "long, close friendship" their two countries shared.

Mr. Marcos arrived here Wednesday for his first U.S. visit in 16 years. The trip has been designed by both governments to demonstrate broad public approval for the long-standing U.S.-Philippines relationship.

The official White House welcome on the South Lawn, with drums and military flourishes, came on a beautiful clear day. Several score anti-Marcos demonstrators in Lafayette Park, across from the White House, could be heard at the ceremony, but there was a much greater outpouring of support from the many Filipino-Americans who were closer to the South Lawn.

In his remarks of welcome, Mr. Reagan spoke of the "shared history and common ideals" of the two nations. However, the Marcos government has been sharply criticized for its alleged continuing abuse of human rights. Members of Congress have criticized the Marcos visit for that reason.

War Role Is Cited

Mr. Reagan specifically cited the Philippines' role in World War II and the struggle for democracy in Asia, "a struggle in which you, Mr. President, participated," he told Mr. Marcos. This, he said, was symbolic of the "things for which we fought — democracy, liberty."

Calling Mr. Marcos a "respected voice for moderation," the U.S. president said both nations view world issues in the same way.

Administration spokesmen have emphasized the strategic importance of the Philippines, which is home to two major U.S. bases, Clark Air Base and Subic Bay Naval Base. They have been a cornerstone of the U.S. defense posture in Asia and have assumed increasing importance with the onset of instability in the Gulf region.

In his remarks, Mr. Marcos said, "I come from that part of the world where the poorest of the

world live, where people cherish the image of hope that the United States stands for. The Philippines have been modeled in the image of American democracy," he said. "We have always stood for these ideals and will continue to do so."

Mrs. Marcos Joins Talks

The two leaders then entered the White House for their first private meeting. Mr. Marcos's wife, Imelda, who is governor of Manila and a member of the cabinet, joined in the discussions in the Oval Office. Mrs. Marcos is widely mentioned as a possible successor to her husband.

Mr. Marcos later went to the State Department for a working lunch with Secretary of State George P. Shultz. The Marcoses were to be honored at a White House state dinner Thursday night.

Many members of Congress have publicly opposed the Marcos visit, charging that his government continues to abuse fundamental rights. But Reagan administration spokesmen have brushed these charges aside, citing a "trend toward normalization" in the country.

Busy Two-Week Schedule

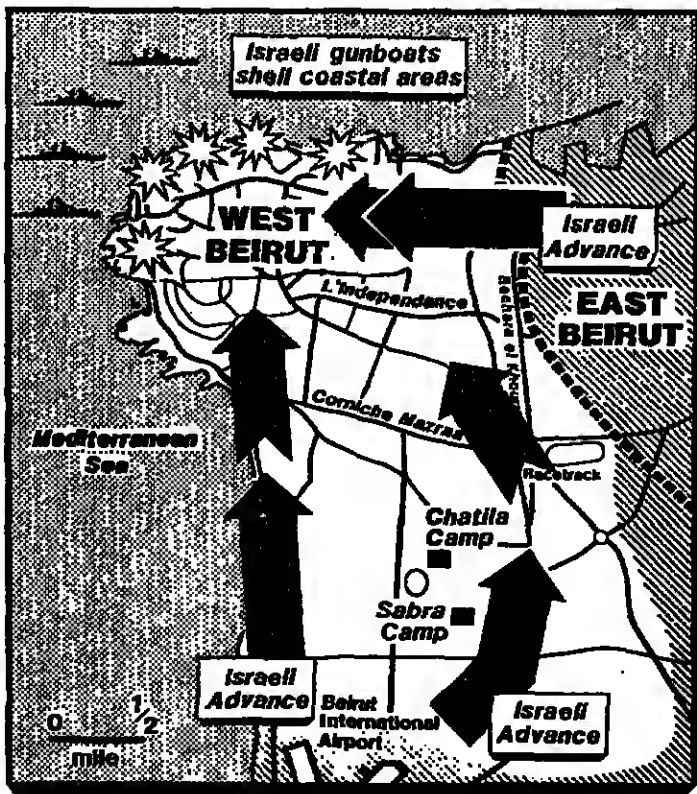
Mr. Marcos will be in the United States for almost two weeks and his schedule includes meetings with government figures, politicians, businessmen, the media and the Filipino communities in Washington, New York, Los Angeles, San Francisco and Honolulu.

He is expected to press for an early opening of talks on the future of the Clark and Subic Bay bases and for action on an extradition treaty that has been negotiated but not yet submitted to the Senate for ratification. The discussions also are expected to lead to a new U.S.-Philippines joint military commission.

U.S. officials say it is unlikely that human rights questions will come up in the discussions between the two presidents. "We know there is a problem," a senior administration official said. "It is our policy to discuss these things but with private, diplomatic means. We think we can get more accomplished."



The body of a motorist killed in the West Beirut cross fire between advancing Israeli troops and Lebanese leftist militiamen lay in the front seat of an auto Thursday. In the background, Israeli soldiers rested during a lull in the fighting.



Israeli forces moving into West Beirut from the south swept past Palestinian refugee camps, while another column entered the sector from the east. The advances continued Thursday.

Ghobzadeh Is Put to Death For Role in Plotting a Coup

(Continued from Page 1)

triest in the Majlis, Iran's parliament. He accused the fundamentalists of being pro-Soviet.

Mr. Ghobzadeh was excluded from the government when a new

cabinet was named Aug. 31, 1980. In November, he was arrested by Revolutionary Guards and charged with criticizing government officials, but he was later freed.

He apparently made no attempt to leave Iran despite the example of a fellow moderate, former President Abolhasan Bani-Sadr, who fled to France last year after being forced out of office by Moslem fundamentalists.

In Paris, Mr. Bani-Sadr said Thursday that hard-liners in the Iranian government had succeeded in having Mr. Ghobzadeh executed because of the "rise in resistance" to Ayatollah Khomeini's regime within Iran.

When he was first arrested about two years ago, I was still president," Mr. Bani-Sadr said in a telephone interview with The Associated Press. "My wife went to see Khomeini's wife, and I put on pressure, a great deal of pressure, and he was released."

"When he visited me later, he told me it was Khomeini who had engineered his release. When I told him the opposite was true — that he had been arrested on Khomeini's orders and only released through my intervention — he was shocked. He really believed in Khomeini, until near the end."

No Lack of Suspects in Gemayel Assassination

Every Side in Lebanon Offers Reasons to Blame Another

By Loren Jenkins

Washington Post Service

BEIRUT — Bashir Gemayel had just been interred in his native village of Bikfaya when a tall silver-haired mourner in dark glasses was asked who might have killed the man who was to have been inaugurated next week as president of Lebanon.

"In Lebanon, one's adversaries are known," Camille Chamoun, 82, said solemnly. "Here one does not have to be a prophet to discover one's enemies."

As a former president and the patriarch of one of the dominant Christian Maronite clans, Mr. Chamoun knows of what he speaks.

But pressed to identify who might have set the bomb Tuesday that killed Mr. Gemayel and dozens of his Phalange Party supporters in Christian East Beirut, Mr. Chamoun pushed on to his car in silence.

For Mr. Gemayel, who until his

election last month was commander of the Christians' powerful Lebanese Forces militia, the problem was never one of knowing who his

enemies were but figuring out which might present a clear danger to him.

Having dealt as harshly with Christian rivals as with traditional Moslem opponents and having treated foreign allies as warily

NEWS ANALYSIS

as sworn neighboring enemies, Mr. Gemayel had no lack of antagonists.

A measure of the enemies made in his rise to political power came Wednesday in the plethora of alleged culprits cited, though without credible evidence.

The list included agents of Israel's Mossad secret service, Syrian intelligence agents, Moslem fanatics, Palestinian terrorists, rival Christian revenge-seekers or turncoats within Mr. Gemayel's ultra-nationalist Christian Phalange Party.

The apparent precision of the attack had some here accusing the Israelis, who though hated by many in Lebanon are respected for their martial efficiency.

Mr. Gemayel only days before had, been portrayed by Moslem

and some Christian opponents as a malleable tool of the Israelis because of their support for his militia and his presidential candidacy.

But holders of the Israeli theory noted that Mr. Gemayel had recently sought to distance himself from the Israelis to win the support of his Lebanese Moslem opponents. Many also say that Israel had been looking for an excuse for a military move into West Beirut.

Israeli officials hinted that it was members of the Palestine Liberation Organization who killed the man who had held Lebanon's Palestinian refugees and their armed representatives responsible for Lebanon's ills.

Many forces maintain that the newly formed PLO does not have the expertise, manpower in place, or access to East Beirut necessary to assassinate Mr. Gemayel.

A more likely candidate, they say, is the Syrian government, which Mr. Gemayel blamed for heavy-handed usurpation of Lebanese sovereignty and dignity during the six-year occupation of its "peacekeeping" army here.

But the Lebanese Moslems and Palestinians who know their Sy-

rian neighbors best say they are as unlikely as the PLO to have been able to strike at Mr. Gemayel inside his party headquarters in the Christian neighborhood of Ashrafieh.

"The problem is nobody really knows who did it; the investigation has just begun," said Dori Chamoun, the former president's eldest son. "Those who don't like the Syrians blame the Syrians. Those who don't like the Palestinians blame the Palestinians. And those who don't like the Israelis blame the Israelis."

Others blame Christian opponents. Sulaiman Frangieh, a former president and a rival of Mr. Gemayel as leader of the Christian forces, lost his son, a grandnephew and 30 bodyguards in 1977 to gunmen from Mr. Gemayel's militia. The attack set off a feud that resulted in the car-bomb death of Mr. Gemayel's 2-year-old daughter in 1980.

There are also many who suspect Mr. Chamoun. In 1980, between 100 and 400 Chamoun militiamen and many of their relatives were killed in a surprise attack by Mr. Gemayel's forces.

Arafat Wants 3 Forces To Return to Lebanon

Reuters

ROME — Yasser Arafat, chairman of the Palestine Liberation Organization, said Thursday that he has formally requested the return of Italian, French and U.S. forces to Beirut.

Mr. Arafat said at a press conference here that he made the request Wednesday in conversations with Foreign Minister Emilio Colombo of Italy, and that Mr. Colombo had put the request to the United States and France.

A Foreign Ministry spokesman confirmed that Mr. Colombo had contacted France and the United States through diplomatic channels.

Mr. Arafat said the renewed push by Israeli troops into West Beirut on Wednesday violated guarantees given by the countries providing troops for the multinational force when the Palestine Liberation Organization fighters evacuated the city in late August.

Lebanese Leader Slain

Israel has asserted that its army reentered Beirut, after ending a 10-week siege to prevent the re-entry of developments" after the assassination Tuesday of Lebanon's president-elect, Bashir Gemayel.

"What is happening now in Beirut is a challenge by Begin against the United States, France and Italy," Mr. Arafat said, referring to Prime Minister Menachem Begin of Israel. "This situation is against the honor of the three armies and therefore against the honor of the three countries."

PLO officials accompanying Mr. Arafat said that under the evacuation agreement the multinational force should have stayed in Beirut until Sept. 26. By that date it had been intended that Israeli troops would have withdrawn from Lebanon and a new president installed.

Both the early withdrawal of the three-nation force and Israel's subsequent move into West Beirut clearly breached the agreement, the officials added.

Meeting With Italian Leaders

Mr. Arafat, visibly elated by his audience this week with Pope John Paul II and President Sandro Pertini of Italy, met Flaminio Piccoli, president of the conservative and influential Christian Democratic Party, Thursday morning.

The PLO leader also was the guest of Mayor Ugo Vetere of Rome, a Communist, who expressed solidarity with what he called the "just Palestinian cause."

The Vatican, meanwhile, said in a statement that the pope, acting out of his concern with the Middle East peace process, had told Mr. Arafat that the Palestinians had the right to a homeland, as Israel was entitled to its security.

Pertini Meeting Deferred

Italian officials rejected criticism by the Israeli Foreign Ministry of Mr. Pertini's luncheon meeting with Mr. Arafat. The Associated Press reported.

Malta Leader in Belgrade

The Associated Press BELGRADE — Malta's prime minister, Dom Mintoff, arrived Thursday for talks on nonaligned policies. East-West tensions and other international topics, the Yugoslav news agency Tanjug reported.

Israel Controls West Beirut

(Continued from Page 1)

groups of leftist gunmen trying to hold up the advance with rocket-propelled grenades and automatic rifles.

Battles raged throughout the morning before dying down to occasional cannon and rifle fire by midafternoon. Dense black smoke was visible from burning buildings near the heart of the commercial center.

The Lebanese state radio said Israeli forces, advancing from the south and east, had seized control of all strategic areas along the five-mile (eight-kilometer) stretch of beaches surrounding West Beirut before closing in on the two shopping districts of Hamra Street and the Corniche Mazraa.

The Israeli military command in Tel Aviv said that its forces controlled "all key points" of West Beirut.

Police and hospitals reported 38 Lebanese killed and 163 wounded in the two-day assault. Israel had reported 2 soldiers killed and 42 injured on Wednesday.

Phalange Candidate Named

The Phalange Party formerly headed by Bashir Gemayel announced Thursday it had nominated a new candidate for president, the Associated Press reported. Party members said that the nominee was Mr. Gemayel's older brother, Amin.

The Phalange radio station said the party leaders Edmond Rizk and George Saade informed President Elias Sarkis of the decision, and that the two men then asked Camille Chamoun, a former Lebanese president and the overall leader of the Christian coalition known as the Lebanese Front, to convene a meeting to endorse the new nominee, the radio said.

Lebanese radio stations later reported that the speaker of Lebanon's parliament, Kamel Assad, was returning from a European vacation to convene a session to elect a new president.

Arabs to Study 2 Plans

United Press International reported from Cairo that at a joint news conference with President Hosni Mubarak of Egypt, President Gaafar Nimeiri of Sudan said that a top-level Arab committee would explore the possibility of reconciling the Middle East peace initiatives proposed this month by President Ronald Reagan and an Arab summit conference.

Suzuki Outlines Plans To Ease Fiscal Crisis

United Press International

TOKYO — Prime Minister Zenko Suzuki says he will pump money into public work projects ahead of schedule to create jobs but will hold down state wages in an attempt to overcome Japan's financial difficulties.

"I want to tell you frankly the national finances are faced with unprecedented difficulty," Mr. Suzuki said Wednesday in a nationally televised news conference. "I need your understanding and support to overcome this crisis."

Attributing Japan's economic ills to the global recession, Mr.

Suzuki painted a bleak picture of the country's economic health for this year and next.

"Despite our efforts," he said, "we expect to end fiscal 1982 with revenue shortfalls of 5 trillion to 6 trillion yen [\$20 billion to \$24 billion] and even more in the following fiscal year."

Mr. Suzuki, 71, outlined in general terms plans for tackling the financial problems but did not give the kind of detailed approach that had been expected. He said the government would attempt to freeze next year's budget and block pay increases for government employees.

But the prime minister said funds allocated for the year's public work projects would be released ahead of schedule in an effort to generate more jobs.

Japan's unemployment, which is relatively low compared to Western industrialized nations, climbed from 2 percent in 1980 to 2.48 percent in June. The economy's growth rate dropped from 4.4 percent to 2.9 percent, the lowest since the oil crisis in 1974-75.

Mr. Suzuki's appeal apparently was aimed at propping up popular support for his administration before his bid for re-election to a second term as president of the governing Liberal Democratic Party in November.

His party holds an overwhelming majority in both houses of the Diet, or parliament, and Mr. Suzuki's re-election would secure the post of prime minister.

Jailed Soviet Jew Is Reportedly Ill

United Press International

MOSCOW — Alexander Paritsky, a Ukrainian Jewish activist confined in a Siberian labor camp, is in serious condition after suffering a heart attack, according to family friends.

Mr. Paritsky, 44, an electronics engineer, was arrested last year and sentenced to three years in a labor camp near the Mongolian border.

The family friends said Wednesday that on Sept. 7 the chief prison doctor called on Mr. Paritsky's wife, Polina, in her rented room in the nearby village of Vydrino to tell her that her husband had suffered a heart attack and was in serious condition.

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WORLD BRIEFS

Egypt Accuses Moslems of Coup Plot

CAIRO — Security authorities have arrested an undisclosed number of Moslem extremists and accused them of plotting the overthrow of President Hosni Mubarak's government, the official Middle East News Agency said Thursday.

Quoting an unnamed State Security attorney general, the agency said those arrested belonged to the Jihad (Holy War) organization, which was blamed for the assassination of President Anwar Sadat last October and an attempt to establish an Iranian-style fundamentalist regime.

It said they had the backing of "some Arab elements and Egyptians living abroad who planned and financed the design." The agency said those arrested had planned to attack prisons and release fellow extremists from Jihad who are awaiting trial on charges of conspiracy to overthrow the regime.

Chinese Greet North Korean Leader

BEIJING — China gave an enthusiastic welcome Thursday to President Kim Il Sung of North Korea when he arrived for the start of a state visit, his first in seven years.

As Mr. Kim's special train pulled into the capital's central station, hundreds of colorfully dressed children sent up a loud cheer and waved flowers, streamers and paper fans. Chinese officials also turned out to greet him, with Deng Xiaoping, the principal leader, the first to embrace Mr. Kim.

The Chinese Communist Party newspaper People's Daily hailed the visit as "an event of major significance in the relations between the two parties and the two countries."

Geneva Disarmament Session Ending

GENEVA — The 20-year-old disarmament conference drew to the end of its 1982 summer session Thursday with the United States accusing the Soviet Union and its allies of blocking talks on the verification of a nuclear test ban. The formal ending of the session is Friday.

Louis G. Fields Jr., a U.S. negotiator, said a working group that was to have focused on how to prevent clandestine testing never even began substantive work because of stalling by the Communist countries.

"Failure lies squarely on the doorstep of the Eastern bloc, which doggedly refused to accept a reasonable program of work," Mr. Fields said. But he added that the 40-member conference had made considerable progress during the summer session toward the prohibition of chemical weapons.

5 U.K. Troops Killed in W. Germany

MOENCHENGLADBACH, West Germany — Five British soldiers were killed and 23 injured Thursday when a truck in which they were riding went off the road and plunged down a slope inside the Bundeswehr military training area near Kaiserslautern, an army spokesman said.

The spokesman said the soldiers were on a military exercise when the accident occurred.

French Ex-Prime Minister in Crash

METZ, France — Pierre Messmer, a former prime minister and now a member of the National Assembly, was seriously injured Thursday when a political associate when a car they were in was run off the road.

Police said Mr. Messmer, 66, and Julien Schwartz, president of the regional assembly in the Meurthe-et-Moselle department, received severe head and body injuries in the accident, in Jarvy, in eastern France. They said a speeding car overtook the Messmer car and slowed down, forcing it into a ditch. The other driver sped away without stopping, police said. Both men were put in an intensive care unit at a hospital here.

Mr. Messmer was a defense minister under de Gaulle and was prime minister from 1972 to 1974 under Georges Pompidou.

Hess Moved to Hospital With Pleurisy

BERLIN — Rudolf Hess is suffering from pleurisy and has been moved

'Great Society' Harmed Blacks, Reagan Asserts In Answering Critics of His Civil Rights Record

By Steven R. Weisman
New York Times Service

WASHINGTON — President Ronald Reagan, reacting to recent criticism of his administration's record on civil rights, asserted that the "Great Society" programs of President Lyndon B. Johnson had never been started.

"By the time the full weight of Great Society programs was felt, the economic programs for America's poor had come to a tragic halt," Mr. Reagan said Wednesday night at a speech to the National Black Republican Council.

Mr. Reagan said that the economic health of the 1950s had been destroyed because under the Johnson programs "government began setting away at the underpinnings of the private enterprise system."

He added that "the big government and big spenders in the Congress had started a binge" that "threatened the character of our people."

"It's ironic that if the economic expansion and low inflation of the years prior to the Great Society had been maintained, black families and all Americans would be appreciably better off today."

The president's speech came at a time when his aides have become increasingly worried about the rise in criticism of the administration's record on civil rights and in the area of programs for the poor. The president's political advisers have, as a result, encouraged him to speak out on what is known as the White House as the "fairness issue."

Mr. Reagan did not cite any of the recent criticism, but he appeared to be rebutting, among other things, a recent lengthy report by the Urban Institute that the administration's economic program is helping the rich and hurting the poor.

In addition, a Washington lawyers' association charged Wednesday that the Justice Department's Civil Rights Division had "retreated" from enforcement in several areas.

A detailed study of the division's activities found that it had not filed any school desegregation suit since the president's inauguration. Furthermore, it has filed only

two housing discrimination suits, compared with an average of 19 per year in previous administrations, and only two voting-rights cases, compared with 12 filed during the first year of the Carter administration.

The study was made by the Washington Council of Lawyers, which describes itself as a nonpartisan, public-interest bar association.

"Just Plain Baloney"

The Justice Department sought to rebut the charge of retreat, as did Mr. Reagan in his speech Wednesday night. The president, referring to criticism that his administration was "less than active" in the civil rights area, said, "No matter how you slice it, that's just plain baloney."

Earlier Wednesday, however, Samuel R. Pierce, the secretary of housing and urban development, acknowledged to the black Republicans that there had been some "misunderstanding" and "insensitivity" to blacks by the Reagan administration.

Mr. Pierce, the most prominent black official in the administration, cited two specific cases: the decision to let the Internal Revenue Service grant tax exemptions to private schools that discriminate, and the president's initial opposition to strengthening enforcement in the Voting Rights Act.

The National Black Republican Council, a 10,000-member group, has been meeting in Washington for the last two days. It was founded in 1972 as an adjunct to the Republican National Committee.

In his speech Mr. Reagan, besides reviewing what he said were the failures in general of the Great Society, said specifically that from 1966, the entire federal urban renewal program spent more than \$7 billion and "ended in byzantine failure, destroying more housing units than it replaced."

Under the urban renewal program, the federal government helped cities clear slum areas and build new housing for the poor and middle class.

Mr. Reagan also charged that liberals and others had played "blatant politics" in blocking passage of his proposal earlier in the year to establish "urban enterprise zones." This enterprise proposal called for zones in cities to be exempt from some taxes and regulations to encourage private investment.

Mr. Reagan did not mention that his own strategists have not emphasized the program because of the attention they have paid to his broader economic recovery proposals.

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Interim Measure

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Ronald Reagan

Weinberger Reportedly Fighting Congress' Cuts in Defense Budget

By Hedrick Smith
New York Times Service

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Study Says Fewer Blacks, Women Become U.S. Judges Under Reagan

By Nicholas D. Kristof
Washington Post Service

WASHINGTON — During his 19 months in office, President Ronald Reagan has substantially reduced the proportion of women and blacks being appointed to federal judgeships.

All but four of the 72 judges Mr. Reagan has appointed to federal trial and appellate courts by mid-August are white men. Three women have been appointed federal trial court judges and one black federal judge has been elevated to a circuit court of appeals.

The 260 appointments to federal judgeships by Mr. Reagan's predecessor, President Jimmy Carter, included 41 women and 37 blacks. During the 1980 campaign against Mr. Carter, Mr. Reagan promised,

"I will also seek out women to appoint to other federal courts in an effort to bring about a better balance on the federal bench."

A review of their backgrounds shows the Reagan appointees to be predominantly graduates of prestigious law schools with successful careers in law firms or academia.

Even critics of the pattern of Reagan appointees say his nominees are competent and qualified, although generally conservative in legal and political outlook.

"Intend to Do Better"

Deputy Attorney General Edward C. Schmidt said the administration looks at merit rather than race or sex in selecting judges but has searched for qualified women and minority lawyers. "We certainly intend to do better and appoint

more women and minorities," Mr. Schmidt said. "It means we're going to have to work harder."

While critics have complained that the Reagan administration has failed to consult organizations representing women and minorities, as Mr. Carter did, some anti-abortion activists are upset because they have not been consulted.

"In terms of the judicial appointments, it has been almost a complete washout," said Dr. Jack C. Wilkie, president of the National Right to Life Committee. "We have not had any impact prior to appointments, and we bear the questions apparently are not even being asked. This has been a total disappointment to us."

Federal judges, who are paid \$70,300 to \$74,300 annually, historically have been mostly patronage appointees.

But the Reagan administration has been searching for its own candidates for appellate courts in addition to considering recommendations from U.S. senators, according to Bruce E. Fein, an associate deputy attorney general.

He said the administration continues to give great weight to senators' suggestions for federal trial court judges, and Mr. Schmidt said Republican senators would be asked to find more women and black candidates.

Philosophical Standard

"We choose our appointments based on one quality: their credentials and their capacity to administer evenhanded justice with the philosophy of the attorney general and the president," Mr. Fein said.

One of the most prominent nominees, Richard A. Posner, tells something of what the administration is looking for in appellate judges.

Mr. Posner, 43, formerly a professor of law at the University of Chicago, is by all accounts brilliant; according to critics, dangerously brilliant and lacking in social conscience.

After graduating first in his class at Harvard Law School, he clerked for Supreme Court Justice William J. Brennan Jr. and after a few years embarked on an academic career. A Republican, he has written 11 books and pioneered economic analysis of the law, which has emerged as a new area of jurisprudence.

Mr. Posner argues in his books that economic thinking underlies most judicial opinions. He contends that while judges have been guided, consciously or otherwise

Herald Tribune

Published With The New York Times and The Washington Post

2 Bombs and a Flare

Simultaneously on Monday, two ugly bombshells and a bright diplomatic flare lit the Middle East sky. The bomb throwers — an unknown terrorist in Beirut and a former secretary of state in New York — certainly damaged the promise in King Hussein's message from Jordan. Sabotage is always easy inside a powder keg.

But nothing that is fundamental has changed. The Israelis cannot repair the fabric of Lebanese society. The Palestinians' rights will not be won, or destroyed, by force. Peace in the Arab world depends on more than co-existence with Israel, but it cannot be attained without it. The true enemy remains undiscovered. President Ronald Reagan's bold bid for a West Bank deal is having the desired effects. His formidable critics in many places can promise only more violence. The president's only option is to persist.

It is doubtful that Bashir Gemayel could have been the savior of Lebanon that his eulogies now portray. Like his Israeli allies, the firebrand Phalangist wanted overnight to transform military power into political order in a society that has been viciously torn for more than a decade. To the many scores that have been waiting to be settled by a host of sectarian Lebanese armies, his assassination adds yet one more.

Perhaps the resolute Lebanese will still find a way to avoid another bitter civil war. But the presence of foreign armies can only inflame their rivalries, raise the level of battle and point it toward partitions and dismemberment. The most interested nations, led by the United States, had better find a way to get the Israeli, Syrian and remaining PLO forces out, now more than ever.

It will not be easy. As extremists in the PLO, Syria and Israel surely recognize, more war in Lebanon would frustrate the increasing pressures on them to sit still for Arab-

Israeli negotiations on the West Bank and Gaza. Mr. Reagan's influence in Arab capitals and his stomach for further quarrels with Prime Minister Menachem Begin are sure to be tested in the days ahead.

King Hussein's praise for the American proposals, however, should go far to sustain the president. And Alexander M. Haig's destructive dissent requires a vigorous rebuttal.

The Jordanian monarch is obviously gaining diplomatic courage from the dual threat of Israeli and PLO factions that would convert his kingdom into the Palestinians' state. Increasingly, his throne depends on an Israeli-Jordanian peace with a Palestinian province between them. And as the Reagan administration correctly judged, the king will find Israeli receptive to a West Bank deal only if he joins the Camp David process.

King Hussein was clear about his predicament. He is ready to negotiate a full peace with Israel on Mr. Reagan's basis and to coax West Bank Palestinians toward the table. But he still lacks the necessary backing to sit there himself and would welcome more international pressure to produce it.

For Mr. Haig to condemn the American initiative only hours after it produced this encouraging result sadly confirms his unsuitability for the high office he resigned just weeks ago. He is entitled to his view of events and to his own peace plan — if he has one.

But as someone who used to lecture others on their obligations to the commander in chief, the general must know that his public carping risks undermining the president's most considered diplomatic venture at a tense and dangerous time.

It should be epitaph enough for Mr. Haig's diplomatic career to point out that the other hand yanking at the same White House rug is Leonid I. Brezhnev's.

—THE NEW YORK TIMES.

Imports and Fair Play

Let us suppose that the United Auto Workers are right about imported cars and the rules of fair play. Let us accept, for a moment, the proposition that a Japanese company — we are talking about Nissan and Toyota — that wants to sell autos to Americans ought to build them in the United States and provide jobs for Americans. Doesn't that seem reasonable?

But if that is fair play, we cannot limit it only to cars from Japan. How about the goods that Americans sell abroad? The same principle would have to apply to the computers, the telecommunications equipment, the oil bits and the turbines that American companies make in the United States and export. If Japan buys an airplane from Boeing, should Boeing be required — under the fair play rule — to build it in a plant in Japan?

The protectionist arguments keep hitting that same rock and sinking there. You would not know it from listening to the automobile and steel industries, but American exports of machinery and transportation equipment are far larger than imports. Last year the United States shipped \$96 billion worth abroad, while imports in that same category — including cars — came to \$70 billion.

The protectionists argue that Japan sells more than it buys in the United States. That is true, but irrelevant. The dollar that a Japanese company earns in the United States may

well be spent for oil in the Middle East. The Middle Eastern oil producer spends it in Europe, and the European uses it to buy American machinery. The books balance.

The UAW is now pressing Congress fiercely to enact a bill that would set a local content requirement for imported cars. The more cars a foreign manufacturer sold in the United States, the higher proportion of its value would have to be American-made. Fortunately, the local content bill is not likely to pass Congress this year. Although the House Energy and Commerce Committee has approved it, it must now go to the less friendly Ways and Means Committee; the end of the session is only a few weeks off. But the bill is certainly going to be back next year. It is important to acknowledge the real meaning of this kind of legislation.

Protectionist legislation can shift jobs from one company to another and from one line of work to another. But it cannot increase the total number of jobs in the country. If anything, it is likely to diminish the total. A local content rule can certainly keep foreign cars out of the United States, and it can probably create, at least temporarily, some additional jobs in the American automobile plants. But it would create those jobs at the expense of other Americans' jobs, in the export industries. Is that fair?

—THE WASHINGTON POST.

Other Editorial Opinion

Thatcher's Trip

Mrs. Thatcher, a brilliant politician who continues to attract world attention, arrives Friday for a visit to Japan but we fear she will gain little economically during her stay.

At the most she may go home with a 1- to 2-percent reduction on duties for British whisky or biscuits. This is not very much. She would like to return no doubt with a firm promise by Nissan Motor Co. to build a plant in Britain. But no matter how persuasive she is, Nissan will make this decision on sound economic considerations.

—The Yomiuri Shimbun (Tokyo).

The Fez Meeting

President Reagan should, on balance, be encouraged by the response to his Middle East peace initiative. The Arab summit at Fez adopted a more conciliatory and constructive position than could have been anticipated a few months ago. The lessons dictated by Israel's willingness to use its overwhelming military superiority have to a large extent been taken on board. The necessity of pursuing Palestinian ambitions through mainly diplomatic channels appears, at least through lack of any realistic alternative, to have been appreciated.

—The Financial Times (London).

It was chiefly because the Fahd plan hinted at the right of all Middle East states to peaceful existence that the Arab "radicals" rejected it at the Summit in November 1981. Now,

after Fez, it looks almost as though they have come into line with the Saudi approach and will accept diplomacy as the method of dealing with Israel. Whether or not they are wholehearted or even genuine in doing so will be revealed by their future actions. But for the moment the very fact that the green light has been given to draw near to the negotiations is an important new factor.

—The Neue Zürcher Zeitung (Zurich).

The Arafat Meeting

The present Pope is a man with good and high intentions, but it is bitter for Israelis to recall that the Vatican has never acknowledged by diplomatic representation the state of Israel. There is still, for some curial officials, a whiff of inconvertibility to "the crucifiers." The Arafat meeting would have offended any leader of Israel just as similar treatment for the head of the Irish Republican Army would, one hopes, scorch the telephone lines between London and the Lateran Palace.

In good faith the Pope may have made a serious mistake. Protestants as well as some Catholics may ask themselves what there is to stop him from making that full statement of amends to the Jews which John XXIII was frustrated from doing, or indeed for affording to the state of Israel the same recognition which the Western democracies give.

The Pope from Poland who has seen so much suffering must understand the strength of Jewish feeling.

—The Daily Telegraph (London).

On Begin's Effort to Derail Reagan Peace Effort...

By Anthony Lewis

BOSTON — In sending its forces into West Beirut in cold violation of the truce terms, the Israeli government said it was acting to maintain order after the assassination of President-elect Bashir Gemayel. But there can be little doubt about the larger purpose of the move — and of others likely to follow in Lebanon. That is to derail President Ronald Reagan's Middle East peace initiative.

Prime Minister Menachem Begin and Defense Minister Ariel Sharon have been politically embarrassed by the Reagan plan, put on the defensive at home and challenged in the American Jewish community. They desperately wanted to change the subject. The assassination provided the means.

By the same logic, Mr. Sharon should soon find some pretext to engage the Syrians in northern and eastern Lebanon. Under the stresses of war, he may reason, Israel's friends can be expected to rally around. The Reagan initiative will fade into memory. And Mr. Sharon will have had one more chance to prove his theory that the solution to Israel's political problems is simply military domination of the region.

The cold-bloodedness of Israel's disregard for the truce terms worked out by Ambassador Philip C. Habib with such care and diligence is of a piece with much that the Begin government has done in Lebanon. There has been an almost contemptuous disregard for credibility.

The immediate pretext for the invasion on June 6 was the assassination attempt on the Israeli ambassador in London, which Jerusalem laid to the Palestine Liberation Organization. In fact, the assassins were members of a gang dedicated to the destruction of the PLO.

It was said that the invasion was necessary to stop PLO firing of rockets and shells from Lebanon into northern Israel. In fact, under a truce arranged by Mr. Habib in July 1981, not a single PLO rocket or shell was fired across that border for nine months — until Israeli planes bombed southern Lebanon.

The stated purpose of the invasion was to clear a zone 25 miles deep of guerrillas who could fire into Israel. In fact, Mr. Sharon's forces never passed 25 miles.

Nobody could see a threat to Israel's security in Lebanon now. The Begin government has announced a

larger political purpose for the operations there: to free Lebanon of foreign domination, to reunite the country under an independent government. But here again profession has differed from practice.

While talking about restoration of the central government's authority, Israel has been building up a separatist militia of its agent in southern Lebanon, Major Saad Haddad. Israeli forces have actually taken arms from Lebanese Army units in the south and effectively made them yield their function to the Haddad militia. Major Haddad has been publicly promised dominion over a vast new area, and he has spoken of increasing his forces from a few thousand to 50,000.

The case of Bashir Gemayel himself may be the ultimate irony. Israel backed him for years, arming his Phalangist militia. It may well have timed the invasion to come before the presidential election in order to help him win the job, or so Israeli sources have said.

But in the end, just before his death, there were signs that Israel was finding Mr. Gemayel irritatingly independent. Certainly he was resisting public Israeli pressure on him to sign a peace treaty — pressure that made his task of unifying the country's factions more difficult.

The assassination was shocking but in a sense not really surprising. Mr. Gemayal had so much blood on his hands that experts always ques-

tioned his chance of survival in that country of blood feuds. Among other things his Phalangist forces in 1978 brutally murdered another Maronite Christian who was a political rival, Tony Frangieh, and his wife and infant daughter. Yet in the last days he did seem to be working for Lebanese unity.

The sudden events in Beirut pose an enormous challenge to President Reagan. His advisers had anticipated attempts by Mr. Begin and Mr. Sharon to divert attention from his peace initiative, and had seen Lebanon as the most likely area for diversions. But the suddenness of the assassination and of the Israeli reaction are still stunning.

President Reagan and Secretary

of State George Shultz have to do two things now. First, they must press on with their objectives in Lebanon: to get all foreign forces out and to create an effective central government. Those are, after all, Israel's stated aims too, and Israel should be held to them. Second, they must continue to push the larger initiative for peace.

There is no reason to waver. The initiative has gone well so far. It has just attracted significant support from King Hussein. It got a backhanded compliment when Alexander Haig, in a pathetic attempt to get back in the limelight, attacked it. The question is whether the president is serious. That is what everyone knew Menachem Begin would test. The testing has begun.

—The New York Times.

... And a Bid to Cut Israel's Backing

By William Safire

WASHINGTON — What a thrilling 24 hours for Yasser Arafat: first he learned in a telegram from President Ronald Reagan for a victory through which "the international positions of the PLO have grown considerably stronger," then he was told by the news of the murder of Bashir Gemayel, his most effective Christian enemy in Lebanon; finally, basking in the political blessing of a personal reception by Pope John Paul II in the Vatican.

In contrast, supporters of Israel everywhere are dismayed and saddened. In Beirut, a bridgehead of peace has been destroyed by the forces who consider it a crime to negotiate a peace with Israel. In Washington, a shrewd secretary of state has driven a temporary wedge in the support given Israel's government by American Jewish leaders, which in turn gave Prime Minister Begin's detractors ammunition to isolate and condemn the elected leader of a democratic ally.

The device Secretary George Shultz used to weaken American support of Israel was to consult and flatter Mr. Begin's internal opposition, in the person of the twice-defeated Shimon Peres. As I have pointed out, the charge has been made that a tacit arrangement had been made: Mr. Peres, the Labor leader, would support Mr. Reagan's Middle East proposals (some of which the Israeli had long opposed) and it would be clear to Israeli voters that the accommodating Mr. Peres, and not the stiff-necked Mr. Begin, would be the chosen instrument of U.S. largesse.

"It's a false, ugly and unfounded accusation," replies Mr. Peres, adding that he had no prior knowledge of Mr. Reagan's plan. He escalates the charge into some specific "deal" verbalized in an Oval Office meeting — and then denies his

own exaggeration. The fact is that Mr. Peres, the opposition leader, and not Mr. Begin, was consulted in the formulation of President Reagan's Middle East decisions; Mr. Peres has since bragged that he hoped his expressed opinions had some influence, which they surely did, especially in the abandonment of Israel's claim to sovereignty in the West Bank. Since the time that the plan (cleared with Arab leaders) was dropped on Mr. Begin in a manner calculated to insult and enrage him, Mr. Peres has delivered mightily for the Shultz plan.

In a U.S. television interview, Mr. Peres said "we found in the president's position a rather very close approach to our own." In a long statement (IHT, Sept. 14) dedicated to ousting Mr. Begin, he presented the "responsible" Israeli view — against the point of view of the man who beats him regularly at the polls.

Nothing is wrong — indeed, everything is right — about any Israeli sounding off with the most vehement disagreement with his government. In a democracy, it is often the duty of an opposition to oppose. Nor should any of Israel's importunate overseas fail to criticize any Israeli government or politician for fear of weakening the nation; that democracy is not such a tender flower.

But it is in political bad taste for any leader to campaign against his government's foreign policy overseas. Sensible American opposition leaders never do that; articulate dissenters mute or temper their anti-government views while abroad, or in media aimed abroad. Neither Richard Nixon nor Ronald Reagan zapped Democratic presi-

dents during their travels; in the United States, Yitzhak Rabin of Israel does not actively campaign against his prime minister's policy. That is not censorship, that is good taste; encourage your relatives at home but remember that you are a family to the world.

Secretary Shultz's manipulation of the opposition leader has encouraged some dovish American Jewish leaders to consider the hitherto unthinkable: the imposition of State Department views on Israel to give up what its government believes to be essential for the country's security.

At first, Secretary Shultz's Peres wedge seemed to work; confusion reigned. The once-staunch American Israel Public Affairs Committee, now run by a former aide to Senators Frank Church and Edward M. Kennedy, waffled, while the Conference of Presidents of Major American Jewish Organizations denounced the Shultz plan as "the wrong step, at the wrong time and for the wrong reasons." B'nai B'rith found the plan "worthy of consideration," while its Anti-Defamation League saw it as a nonstarter.

The wedge will not work for long. Former Secretary Alexander Haig, who remains that the U.S. deals with governments, not with politicians. Let us be charitable to Mr. Peres and say he merely allowed himself to be used; he will soon be seen to represent a shrinking minority.

The "comprehensive" Shultz plan, too, shall pass. Insulting Mr. Begin to ingratiate the United States with King Fahd was not as smart as it seemed, especially since King Hussein charmingly says that his hands are still tied. Now cool it at the State Department and try something else on the front burner.

—The New York Times.

Soviet Dissent Likely to Flow in More Traditional Channels

By William Taubman

LOS ANGELES — The disbanding of the Moscow Group, which was founded to monitor the Soviet Union's observance of the Helsinki agreements, is a sign that the Russian human-rights movement, which sprang to life in the mid-1960s, has been routed.

The immediate cause is police repression, which sharply escalated in the last several years. But the deeper reason is that Western-style democratic ideals have few roots in the history and traditions of Russia, or in

the minds and hearts of the Russian people. Dissent is not dead in the Soviet Union, but it is likely now to assume more traditional forms — a prospect that bodes ill both for the Soviet Union and the West as well.

Dissidents now living in exile in the West caution against reading too much significance into the Helsinki group's demise. The democratic movement, they say, did not begin with this group, which was founded

in 1976, nor will it end now. They note that when dissident organizations — such as the Initiative Group for the Defense of Human Rights and the Committee for Investigating Abuses of Psychiatric — were dismantled by the police, new groups arose to replace them.

Colleagues of physicist Andrei D. Sakharov, whose wife, Yelena G. Bonner, announced the Helsinki group's disbandment last week, spec-

ulate that the couple may have acted at this time to save an ailing 75-year-old lawyer, Sophia Kalistratova, who has been threatened with arrest by the KGB for her membership in the Helsinki group.

The fact is, however, that the democratic movement, which was never entirely democratic or actually a movement, is on its last legs. It was a patchwork of groups and individuals championing causes ranging from neo-Leninism to orthodox theocracy to ethnic autonomy to liberal democracy. A rough consensus supported basic human rights and the rule of law — principles with which Mr. Sakharov has been particularly identified. But these ideals never caught the imagination of the masses.

The dissidents' isolation from the people has been, as the Soviets say, "no accident." Centuries of czarist rule shaped an authoritarian political culture. To Russians, tyranny eventually came to appear natural, or at least inevitable, and periodic uprisings seemed only to confirm the need for firm rule.

Russians have never developed the measure of civic trust that is a prerequisite for democratic politics. Liberal parties developed late and vanished early. Genuine democracy last occurred exactly eight months in Russia: from the hopeful February revolution of 1917 to the Bolshevik coup in October. Ironically, looking back on that experiment, many anti-Communist Russians blame democracy for ushering in totalitarian rule.

The 1917 revolution was supposed to create a new socialist man — one who was not democratic in the liberal sense, but at least free of the crippling passivity of czarist times. But, after nearly 70 years of political indoctrination and socioeconomic change, Soviet rule has reinforced the authoritarian political culture.

Josef Stalin's reign of terror went far beyond the most severe czarist repression and predisposed many Soviet citizens to reject the dissidents when they came onto the scene in the 1960s and 1970s.

Post-Stalinist rule has been more benign, but paradoxically, such progress has strengthened the authoritarian system. Improved living standards provide an incentive to stay out of political trouble. And widespread corruption provides a safety valve for the discontented. Rather than oppos-

ing the system, most Russians concentrate on trying to beat it.

The experience of living under totalitarian rule has persuaded many Russians that they themselves are responsible for their fate. "The Russian people have the regime they deserve," is an indictment that I have often heard in Moscow from disillusioned dissidents. To which others, particularly the democratic ones, are secret hypocrites — like everyone else, they say, in Soviet society.

Mr. Sakharov has been a shining exception to this depressing pattern. Generous, honest and now long-suffering, he has gained the respect of even the most cynical, and his exile to Gorky and virtual house arrest have been a body blow to his followers.

Mr. Sakharov and other democratically minded dissenters have shown that human rights can be defended against police repression, if only for a while. They have directed Western attention to the plight of the Soviet people, and isolated individuals still continue that struggle. But, for the foreseeable future, dissent in the Soviet Union is likely to flow in more traditional channels.

Nationalism is rapidly gaining converts among Soviet minorities and, in reaction, among the Russians themselves. It serves the Kremlin's purposes to foster a certain amount of nationalist feeling, and many Russian nationalists have chosen the Communist Party as their channel. There are signs, however, that some superpatriots would like to jettison Marxist ideology in favor of "Russian first" rhetoric and politics.

Several species of right-wing thought and action can be detected on the Soviet scene. Not all are as bizarre as the youths who shocked Moscow earlier this year by taking to the streets with swastikas to celebrate Hitler's birthday. These self-styled fascists were doubtless reacting to the stagnation of Soviet life rather than inaugurating a political movement. But their demonstration, followed a few months later by the disbanding of the Helsinki group, speaks volumes about the tragedy, not only of the dissident movement but of Russia.

The writer teaches political science at Amherst College and is the author of "Stalin's American Policy: From Entente to Détente to Cold War." He wrote this commentary for the Los Angeles Times.



What Can Be Done to Help Baha'is?

By Philip Geyelin

ELIOT, Maine — You are driving down the Maine turnpike at vacation's end, still removed from the wide, wicked world, when the exit sign for Eliot flashes by. The name rings your low bells. Compulsively you take the exit; your re-entry has begun.

The first bell is gentle: a recently read cover story in the Maine Times about a summer school "nester" in the small town of Eliot. For the followers, worldwide, of a relatively obscure religion, the Baha'is, the article describes Baha' beliefs: its thoroughly unscientific open reach; its sprouting 80 years ago in the United States like a seed wind-blown from its native Iran; its quiet spread to more than 7,400 localities in the United States, and some 100,000 American followers; its flowering, however slight, in every nation of the world.

But Baha' rings other, barbed bells. At the office in Washington is a thickening file of congressional testimony and press releases from Baha' national headquarters in Wilmette, Illinois. They chronicle in grim detail the awful fate of the single largest concentration of the Baha' faith — the 300,000 or more followers in Iran.

In the words of Fritz Kazenadze, a professor of history at Yale and the vice chairman of the National Spiritual Assembly of the Baha'is in the United States, Iranian Baha'is face nothing less than "the threat of genocide" at the hands of the Islamic fundamentalist government of the Ayatollah Khomeini.

Khomeini's objective is clear enough. At hearings held by the House Subcommittee on Human Rights earlier this year, witnesses (and at least one eyewitness) testified to the killing of 110 prominent Baha'is figures in Iran in the past three years; the jailing of hundreds and the "disappearance" of scores more; the destruction of homes, denial of jobs and pensions, firing of teachers, ousting of children from public schools, confiscation of property, sackings of bodies.

In all this, Prof. Kazenadze and other American Baha'is see a systematic campaign of terror designed to force Iranian Baha'is to recant what Islamic fundamentalism sees only as their "heresy."

That has been the lot of the Baha'is, in some measure, since their break with many (but not all) Islamic beliefs nearly 150 years ago. During the "modernization" phase of the late Shah's long reign, the Baha'is fared better. Though they were often harassed and even repressed by the Shah, they were not massacred. Nowadays, scarcely a week passes without fresh reports of unimaginable brutalities directed against Iran's Baha'is leaders.

The full measure of Khomeini's malice comes almost staggeringly into focus in the serene surroundings of this picture-postcard town just north of the New Hampshire line. The Baha'is' school is housed here in a ramshackle country inn.

On this particular Sunday, nobody is at home. But there are no guards. The doors are not locked — testimony to the trust, tranquility and tolerance that seem to characterize this supposedly heretical offshoot of Islam. It is a religion both benign and beneficent. It is stern about some things (alcohol, drugs, premarital sex), but liberal about religious dogma, and vigorously against discrimination or prejudice. It is dedicated to peace and world order, self-improvement and community service.

In recent weeks, the well-organized and widely dispersed American Baha'is community has prevailed upon both the House of Representatives and Senate to pass resolutions condemning the Iranian government's treatment of the Baha'is. The resolutions call upon the U.S. government to avail itself of every opportunity to mobilize international condemnation.

That is the least the U.S. government could be expected to do — but also, alas, the most it can do. U.S. influence with post-Shah Iran is next to nil and the ferocity and intensity of the fundamentalist assault on Iranian Baha'is does not augur well for even the most vigorous international effort to put a stop to it.

In short, an unannounced call at the school here is as much a reminder of man's inescapable inhumanity to man as it is a metaphor on mankind's essential humanity.

—The Washington Post.

SEPT. 17: FROM OUR PAGES 75 AND 50 YEARS AGO

1907: Women's Education

PARIS — "American women should be taught cooking, domestic economy and good manners," according to Mr. Frank Partridge, commissioner of the New York Board of Education, who after studying the educational systems of Europe is returning home with some ideas that American college women may consider revolutionary. "Public education is fatuous if it leads girls away from marriage and its responsibilities. Too many modern girls are being educated to a life of idleness. They are getting the absurd idea that to work with the hands is a disgrace. This leads to their dependence on men for the comforts and necessities of life. American women are devolving into intellectual slaves."

1932: Changes in Reich

BERLIN — Baron Konstantin von Neurath, the Reich's foreign minister, is wielding the broom with a vigor not seen in the Wilhelmstrasse since the revolution, cleaning out especially all diplomats tainted in the slightest degree with republicanism or internationalism. Not only will changes be made in the German ambassadorships at London, Paris and Rome, but also a new envoy will be sent soon to Washington. The change, however, will not be effected until after the presidential elections, it is understood. The passing of the present ambassador in Washington will not come as a surprise, as Dr. Friedrich von Prittwitz is a confirmed republican and was a favorite with the late Gustav Stresemann.

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LETTER TO THE EDITOR

Argentina's Allies

Regarding "Argentina: From Pariah to Ally" (IHT Aug. 14-15): I would like to point out a few facts to Mr. Jeff Nesmith who seems so disconcerted at the possibility of the U.S. improving its relations with Argentina.

Although that country has more of a claim to the Falkland Islands than Britain, I was not in favor of military recoupation of those islands. My country had far more important fish to fry, such as fixing the economic mess inherited from the Peron years.

However, in spite of General Galtieri's very unwise move, I cannot agree with Mr. Nesmith's assertion that "dictators do not make very good allies."

In the Second World War Churchill — who was no dictator — said he would ally himself with the devil if he had to. And he did. The price paid by the West was the disastrous Yalta and Potsdam peace treaties.

I was in Argentina at the time and I assure you that after the U.S.'s traitorous stab in the back in violation of the Monroe Doctrine I, and many staunchly anti-Communist Argentines found the siren songs mighty attractive coming from Cuba and the Soviet Union, offering military help. General Galtieri did not yield to temptation, however.

Will his democratically elected successor have the same reaction next time?

J.B. DE QUIRNO FAVALLE

Costa Del Sol, Spain.

Letters intended for publication should be addressed to the editor and contain the writer's signature, name and address. Brief letters receive priority, and letters may be abridged. We cannot acknowledge all letters, but we value the views of the readers who submit them.

Galtieri Says Argentina Ended War Too Soon

By Alan Riding
New York Times Staff Writer

BUENOS AIRES — Argentina should have continued its war against Britain even after the fall of the Falkland Islands, former President Leopoldo Galtieri said in a recent interview. He said that if Argentina had continued the war, it would have allowed the country to do so.

General Galtieri, 55, who served as president and commander of the army during the 74-day war over the South Atlantic islands, made the comments in an interview published Wednesday by the Argentine magazine *Siete Dias*.

General Galtieri has given other interviews since being forced out of office three days after the June 14 surrender in the Falklands, but the *Siete Dias* interview was the first in which he talked about the war and the way it was conducted.

Referring to the islands' capital, Port Stanley, by its Argentine name, he said, "Even with the loss of Puerto Argentino, and without internationalizing the conflict, we should have continued the action in such a way that the enemy would have faced serious, permanent and systematic difficulties and risks and be obliged to realize that we Argentines were not going to surrender."

"The general," said Argentina's principal ally in the conflict were its "Latin American brothers." He said also came from non-aligned countries, "some of which are more powerful than they appear."



Leopoldo Galtieri

Bolivian Protests Demand Elections, Economic Change

Compiled by Our Staff From Dispatches
LA PAZ — Thousands of protesters Wednesday blamed the military junta for bringing Bolivia to the brink of economic collapse and demanded the return of civilian rule in the largest anti-government demonstration in two years.

The protests were organized by the powerful and previously outlawed Central Obrera Boliviana Labor Confederation, whose leaders demanded national elections by the end of the year.

The rally outside San Francisco Cathedral coincided with strikes in three central and southern provinces. A 48-hour strike was scheduled to begin soon in La Paz.

The provinces hit by the strikes were Cochabamba, Potosi and Chuquisaca. Many factories closed and public transportation was shut down. At the same time workers in the major tin mines announced they had decided to mount an indefinite strike for better pay.

U.S. Is Asked to Help Defuse Honduras-Nicaragua Tension

By Alan Riding
New York Times Staff Writer

MEXICO CITY — The presidents of Mexico and Venezuela have appealed to the United States, Honduras and Nicaragua to help reduce tensions along the Honduran-Nicaraguan border.

A Foreign Ministry statement Wednesday said that Mexico's president, José López Portillo, and President Luis Herrera Campins of Venezuela had warned of the "deterioration" of the situation in jointly signed letters to President Ronald Reagan, President Roberto Somoza Córdoba of Honduras and Daniel Ortega Saavedra, the coordinator of Nicaragua's three-man junta.

The texts of the letters were not made public, but the statement noted that Mexico and Venezuela had called for "exploration of ways that remain open to halt the current worsening escalation, the increase of tensions and the dangerous expectations as to the outcome of the crisis."

longtime friend and fellow Christian Democrat, José Napoleón Duarte, was replaced as president of El Salvador in April. Venezuela has been more open to the idea of a negotiated settlement in the country's civil war.

Further, angered by the Reagan administration's support for Britain in the Falkland Islands crisis, Venezuela has recently begun to improve its relations with both Nicaragua and Cuba. Mr. Herrera himself visited Managua last July to attend celebrations marking the third anniversary of the Nicaraguan revolution.

In recent months, however, Venezuela's position has changed significantly. Since Mr. Herrera's

joint proposal on the Honduran-Nicaraguan crisis. Mexican officials said that the letter for President Reagan was delivered to Secretary of State George P. Schultz in Washington on Wednesday morning by the Mexican ambassador, Bernardo Sepúlveda Amor, and the Venezuelan ambassador, Marcial Pérez-Chiriboga. The other letters were presented to President Somoza Córdoba and Mr. Ortega by Mexican and Venezuelan ambassadors in Tegucigalpa and Managua in the past few days.

The officials said the Mexican and Venezuelan foreign ministers expected to meet again this month at the United Nations General Assembly and were already contemplating the creation of a new diplomatic mechanism to promote dialogue in Central America. Specifically, a commission could be formed by five or six Latin American governments — excluding those of Central America — to seek a solution to the region's problems, they said.

In Salvador, Sorrow Clouds Fete

By Bernard Weinraub
New York Times Staff Writer

SAN SALVADOR — Wednesday was a day of celebration in San Salvador, but the mood in the capital was bleak.

Low black clouds hung over the mountains as thousands of families trudged to the national stadium to see marching troops, applaud U.S. and Salvadoran paratroopers and celebrate the nation's independence from Spain 161 years ago.

But the civil war that has claimed at least 32,000 lives in less than two years, the shadowy "death squads" and civilian terrorism overshadowed the day's ceremonies.

Speaking in a choked voice, General José Guillermo García, the defense minister, waved his hand aloft and said the government had the firm support of the nation's citizens. "If you are not the people, who are the people?" he said as thousands applauded.

Then General García and the provisional president, Alvaro Magaña, gave about two dozen women, most of them in black, medals

to honor their husbands and sons who died fighting. Many of the women wept as the officials embraced them.

The mood of this valley city has turned especially grim because of the apparently random surge in murders by the death squads. "There was a calmness here for a while," said a longtime American resident. "No more."

Another foreigner said: "The murders are done conspicuously, mutilations, disembowelments, beheadings. There's something mysterious about this. No one quite knows why it's happening again now."

During the weekend gunmen in civilian clothes kidnapped José Alfonso Acevedo, a 44-year-old newspaper employee who worked with Caritas, the Roman Catholic charitable organization.

"Mindless Violence Seen"

A foreign diplomat said Wednesday: "The internal contradictions are so severe here. There's a mindless quality to the violence that's difficult to get under control. You get violence out of peo-

ple who see nothing else, see nothing else to do."

Meanwhile, there were reports, denied by the government, that soldiers massacred hundreds of unarmed villagers in a recent anti-guerrilla drive in Santa Clara, east of San Salvador.

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Adventure in the '80s: The Flesh Is Willing But the Spirit Is Weak

by James Lardner

WASHINGTON — When Sir Ranulph Twisleton-Wykeham-Fiennes chugged into Greenwich last month at the end of history's first recorded bipolar journey around the planet, who among us was not moved? Who could quarrel with Prince Charles's assessment of the venture as "gloriously, refreshingly mad and marvelous"?

By an inspiring fluke of timing, Sir Ranulph came into port amid a sudden flowering of other heroic journeys — Bill Dunlop traversing the Atlantic in a 9-foot sailboat, Lon Haldeman bicycling across the United States in less than 10 days, and 65-year-old Ashby Harper becoming the oldest person ever to swim the English Channel.

Such coincidences always seem pregnant with meaning, so it was hard not to interpret this one as a resounding proclamation: The spirit of adventure was alive and well. But the truth is otherwise: The spirit of adventure has been on its deathbed for some time now, and a close scrutiny of the most recent achievements only confirms the diagnosis.

Take Sir Ranulph's Transglobe Expedition. To the scanner of headlines, it sounded splendid and simple. Sir Ranulph set himself an unprecedented task and went out and did it. For three years, through the Iranian hostage crisis and other political traumas, while wars raged in the Atlantic and in the Middle East, while the rest of humanity went

The frontier is closed; civilization is consuming the last isolated tribes and uncharted pieces of territory. There is no longer any mountain so high, any ocean so stormy, any jungle so thick that modern mechanized mankind cannot stomp over it at will.

about its workaday business, Fiennes, his companion Charles Burton, the baron's wife, Virginia, and their comrades pursued a glorious contest against nature, circling the globe vertically, by land, by sea or wherever the Greenwich Meridian, that divinely inscribed line of bifurcation, might take them.

But in the fine print of the various accounts, certain curious details emerged. To wit:

• While the expedition began and ended in Greenwich, it frequently detoured thousands of miles from the meridian of that name to camp in such rugged outposts as Paris and Hollywood, where the travelers rested and set up shop as salespeople for the latest in British-made exploring gadgets. (At the end of the \$17.5-million expedition, Prince Charles proudly announced that \$5 million worth of orders had been received — a ratio of income to outflow that may explain something about the state of the British economy.)

• When Sir Ranulph and colleagues were not piloting their Land Rovers across the Sahara, or their snowmobiles across the Antarctic and Arctic icecaps, or their motorized rafts up the Yukon and Mackenzie Rivers, they could be found aboard their 12,000-ton support ship, the Benjamin Bowring, accompanied by a crew of 23.

• During Fiennes and Burton's journey across the Arctic, the expedition's Twin Otter supply plane made food and fuel drops every five or six days and provided no fewer than half a dozen replacement snowmobiles.

But it would be wrong to hold this against Sir Ranulph and his teammates. The truth is that they, like the rest of us, were up against one of the decidedly gloomy facts of 20th-century existence: The frontier is closed; civilization is consuming the last isolated tribes and uncharted pieces of territory. There is no longer any mountain so high, any ocean so stormy, any jungle so thick that modern mechanized mankind cannot stomp over it at will. The North Pole, which obsessed a whole generation of adventurers a few decades back, has become a hub of the commercial air network. Tours to Antarctica are advertised in glossy magazines.

The urge to be first with the mostest (or firstest with the weicdest, in Earl Kitchener's case), has turned adventure into something wildly complicated, not to mention colossally expensive. Consider the world of the long-distance bicyclist.

Four of the species crossed the United States this summer, and Lon Haldeman, their leader, finished in an amazing 9 days, 20 hours and 2 minutes. But if you are conjuring up visions of the lone athlete out on the open road, conjure again. Trailing close on this four-species lead was a motorcycle-bearing doctor, a nutritionist, a masseur, a mechanic, spare parts, food, stereo headphones and even a supply of Rubik's Cubes and other gimmicks in case the bicyclists got bored.

Or consider the 27-year-old Frenchman who ran 2,050 miles north to

south across the Sahara — accompanied by three vehicles, a first-aid specialist, a mechanic, a masseur and a film crew. Or consider bruised and bitten Stella Taylor, who abandoned her 1978 swim from the Bahamas to Florida to widespread applause for her valor — and general indifference to the fact that she had been hauled into a boat three times before she quit.

Swimming may be the most suspect of all endurance sports. "The last really authentic swimmer was probably Florence Chadwick," says William Graves, adventure editor at the National Geographic magazine. "She just put a lot of bear grease on and swam the Channel." Chadwick once explained that "life in the water is less complicated," but that was decades before Diana Nyad's 1978 attempt to swim from Cuba to Florida inside a \$42,000 motorized shark cage attended by a crew of 17. In subsequent swims, Nyad traded her cage for a squad of armed shark-killers on her support boat.

Clearly, self-sufficiency is no longer the rule in the adventure business. And nothing else is quite what it appears, either. We are living in the age of the asterisk, when the grandest achievements logged in the Guinness Book of World Records are subject to the qualification that "five-minute rest intervals" are permitted after each completed hour in marathon events.

Like Sir Ranulph, Diana Nyad is a formidable competitor, whose successful Bahamas-to-Florida swim in 1979 was justly celebrated on front pages the world over. The fact that people of this high caliber have been driven to concoct such bizarre challenges only underlines the desperation of their predicament, a predicament that snags all of us. We sense that our well-being as individuals and our survival as a species require us to stretch ourselves, to press on into the unknown, and we simply don't know how to go about it.

No matter how we address the dilemma — whether on the grand scale of Sir Ranulph or the modest scale of the weekend camper who drives hundreds of miles by car to hike a few miles by foot — contradictions and absurdities abound.

Even mountain-climbing and transoceanic sailing, two of the last reasonably pure outlets of adventure, are in a bad way.

Last winter an American team decided to ski-trek around Mount Everest, because, as Ned Gillette, the team leader, explained, "In the mountains today, style is everything. You can't climb unclimbed peaks any more, and you can't explore unexplored country." But Westerners are forbidden to cross from Nepal into Tibet and back, so Gillette's group had to split its journey, spending eight weeks in Nepal during December and January, and six weeks in Tibet during April and May.

Adventure on the installment plan.

The organizers of the 1983 American-Tibetan Everest expedition hope to take a small television camera with them and to offer live coverage of the final assault. It should provide some memorable home entertainment, but Mount Everest, and mountain-climbing in general, will never quite be the same again.

The long-distance sailors, meanwhile, are vying to see who can come up with the smallest contraption capable of carrying a human across the Atlantic. Among the west-to-east group, America's Bill Dunlop just undercut England's Tom McLean by a margin of 8 inches (9 feet 1 inch against 9 feet 10 inches). In the other direction, the champion is America's Hugo Velt, who managed the trip in a 6-foot vessel, The April Fool. Short of a bathtub or an ice-bucket, it is hard to see where this contest can go.

In any case, the game has been turned topsy-turvy. Where our forebears applied their wits to the challenge of subduing nature, we apply ours to the challenge of giving nature a sporting chance. Where they used their most modern equipment, we go rummaging in technology's attic for such obsolete playthings as sailboats, balloons, bicycles, and, most obsolete of all, the unaided human foot.

Also, the frontier saga strains credibility. The desert-island adventure is no longer convincing because all the islands have been discovered, and, if worth inhabiting, are inhabited. Only by setting these stories back in time can we make them believable.

Why have things come to this pass? The obvious culprit is the planet itself, which began looking small and inadequate around the turn of the century. The poles took up the slack for a while, and then the frontier gave out. But a few years ago, history offered a new frontier more spectacular than all the rest: A generation was reared on the idea that it would get to witness, or even take part in, the exploration of space. Then something happened. The economy turned, our attitude toward technology shifted, the big powers built missiles instead of rockets, and a dream gave way to the reality of the space program in the 1980s.

Whatever happened, it was a painful blow and we have repressed it, repressed the memory of the excitement we felt then, repressed the disappointment and resentment we ought to feel now. Things haven't turned out the way we figured, and we go about our lives. How do we express the pool of unfulfilled yearning that lurks beneath the sober surface? In very small ways indeed — we curl our sedentary bodies out onto the basketball court, we take a taxi to the health club or we switch on the television set for an adventure-substitute.

So if Sir Ranulph's way looks eccentric, at least it is dramatic. We are all stuck in the same muck, and most of us can manage only a small yelp. He has let loose with a great howl that speaks for everybody.

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Taiwan Awakens to Its Chinese Past

by Terry Truico

TAIPEI — Prominently displayed in the children's storybook is an illustration of a boy on horseback poised to rope a pony. But this had with a less than young Buffalo Bill — this is little Genghis Khan, demonstrating the distinctive method used by 12th-century Mongols.

The illustration is just one of hundreds of colorful watercolor and ink drawings that grace the pages of Taiwan's current best seller, a 12-volume collection of 360 traditional Chinese stories collectively titled "Chung Kuo T'ung Shu" ("Chinese Children's Stories"). Since the series' debut in January, more than 40,000 sets have been sold, and the editors are hoping to sell 20,000 more by the year's end. With complete sets priced at 4,104 Taiwan dollars (about \$102), and individual copies at 342 Taiwan dollars, the price apparently is right; it's cheaper to buy a storybook than take the family to the movies for an evening.

But the real interest in "Chinese Children's Stories" is coming from a new fascination in Taiwan with Chinese history and tradition — an impulse evident these days from dance and music to literature and theater. For example, Lin Hwai-min, one of Taiwan's most popular modern dancers, studied in the United States with Martha Graham. But since his return, he has integrated traditional Chinese dance forms into his work.

The government has been doing its share, too, providing funds and encouragement for folk festivals and even a program to revive traditional Chinese children's games, such as kite flying, shuttlecock and a special type of rope jumping.

Many here view this quest for indigenous culture as a sign of Taiwan's growing maturity as a newly industrialized nation. "Like all developing countries, a natural step is to lose some of your culture as you try to modernize," says Linda Wu, the 38-year-old writer, editor and publishing innovator who dreamed up "Chinese Children's Stories." Wu notes that she was distressed that her two sons, now aged 10 and 14, were exposed to culture from almost everywhere except China.

"They had Peter Pan, Snow White and those monster cartoons from Japan, but nothing from China," she notes in her cluttered office. "That was one of the reasons I wanted to start this project." She adds, "We've reached a point now where the country has the maturity and stability to look to its own culture."

Indeed, during the last two decades in particular, Taiwan has evolved rapidly from an agrarian nation of rice and sugar farmers into an industrialized island. At the same time, it has experienced relative political harmony.

Mainlanders here marvel at the durability of China's venerable culture, given the succession of upheavals experienced this century on both the mainland and in Taiwan. The turmoil on the mainland, where some 6 million of Taiwan's current 18 million residents were born, extends from the fall of the Ch'ing dynasty in 1912 to the bloody Japanese occupation of the 1930s to the years of fighting between Chinese Communists and Nationalists.

As for Taiwan, the island was governed by Japanese occupation forces from 1895 through World War II. It was during these years in particular that much indigenous Chinese heritage was blurred — residents living here during the occupation were taught Japanese as well as Chinese in school, for example.

Refugees from the mainland began arriving here in the late 1940s, bringing new infusions of Chinese culture. But the government's chief consideration was industrialization; culture had to wait.

Taiwan's efforts to modernize still have a long way to go, as evidenced by the motley array of buildings and the rattletrap autos seen in its capital city. The standard of living here, for example, is still about 10 years behind that of Japan. Nonetheless, with an average per capita income of just under \$2,500 — the second highest, behind Japan, in Asia — a growing portion of the country's residents now have the luxury of turning their energies to cultural pursuits. After years of inundation by the culture of both the West and Japan, many here are hungering for knowledge of the Chinese heritage that has grown a bit hazy.

Nationalism has also been a cause for this new interest in Chinese culture. "The political events have deeply influenced us," says Wing Hung Wong, a prominent architect who returned to Taipei after earning his graduate degree in architecture at Yale. When many Western nations renewed diplomatic relations with



Linda Wu in her Taipei office.

the mainland during the 1970s, Taiwan was swept by a nationalist impulse that reawakened interest in indigenous Chinese culture.

Linda Wu belongs to the first wave of Taiwan's new cultural custodians. In 1971 she started an English-language magazine called Echo, designed as an introduction to traditional Chinese culture for foreigners. Published monthly, Echo detailed anything from Chinese festivals to sexual practices.

"One thing we hoped to do was explain the reasons behind customs an outsider might

Continued on page 10W

Sailing Into Fall: A Guide

NEW YORK — Following is a selected guide to fall cruise ships listed by destination rather than port of departure. The information was supplied by the cruise companies; dates, ports of call and fares are subject to change. Unless otherwise noted, the fares are quoted for one person in double occupancy and range from the lowest-price accommodations to the most expensive. In some cases rates are approximate and are subject to change due to currency fluctuations.

In the case of many longer cruises, shorter segments — at rates proportionately lower than the full-cruise fares quoted — are available. Fares do not include port taxes, optional shore excursions, tips or items of a personal nature.

In booking passage it is important to check the ticket agreement before purchase, reading all the fine print carefully, so you know what to expect and what is included in the price. Also check to find out what kind of recourse you have in case of a complaint.

Further information is available from travel agents.

Caribbean

Hapag-Lloyd

EUROPA II
Capacity 600 passengers, two outdoor and two indoor pools, international cuisine.
Nov. 7 — Forty-six-night cruise from Genoa, calling at Casablanca, Santa Cruz, Barbados, Grenada, La Guaiara, Cartagena, Cristobal, Puerto Cortes, Santo Tomas, Cozumel, Puerto Morelos, Montego Bay, Santa Domingo, St. Thomas, Antigua, Guadeloupe, Trinidad, St. Vincent, Martinique, Funchal and Tangier. From \$1,336 to \$14,416. (Shorter segments available.)

Trans-Atlantic

Astor United Cruises

ASTOR
Capacity 600 passengers, outdoor and indoor pools, Continental and international cuisine.
Oct. 7 — Twenty-night crossing from Hamburg to Fort Lauderdale, Fla., calling at Southampton, Lisbon, Ponta Delgada, Boston, New York, Philadelphia and Charleston. From \$3,033 to \$7,169.

Cunard Line

QUEEN ELIZABETH 2
Capacity 1,800 passengers, two outdoor and two indoor pools, Continental cuisine.
Oct. 17 — Five-night crossing from Southampton to New York. (Additional departures on Nov. 2 and Dec. 14.) From \$1,095 to \$5,430, including air fare from the United States to London.

Royal Cruise Line

GOLDEN ODYSSEY
Capacity 454 passengers, outdoor pool, Continental cuisine with Greek specialties.
Nov. 20 — Twenty-eight-night crossing from Piraeus to San Juan, Puerto Rico, calling at Naples, Civitavecchia, Nice, Palma, Malaga, Casablanca, Funchal, Tenerife, Dakar, Sao Vicente, Barbados, St. Lucia, St. Croix and St. Thomas. From \$4,078 to \$6,798, including air fare from New York to Athens and back from San Juan.

ROYAL ODYSSEY
Capacity 816 passengers, outdoor and indoor pools, Continental cuisine with Greek specialties.
Nov. 26 — Twenty-eight-night crossing from Piraeus to Miami, calling at Naples, Civitavecchia, Villefranche, Palma, Malaga, Casablanca, Funchal, Tenerife, Dakar, Sao Vicente, Barbados and St. Thomas. From \$4,078 to \$6,798, including air fare from New York to Athens and back from Miami.

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CANBERRA
Capacity 1,800 passengers, two outdoor pools, Continental cuisine.
Nov. 10 — Forty-night voyage from Southampton to Sydney, calling at Bermuda, Port Everglades, Bonaire, Cristobal, Acapulco, Los Angeles, San Francisco, Lahaina, Honolulu, Sava and Auckland, with Panama Canal transit. From \$3,880 to \$12,240.

Princess Cruises

PACIFIC PRINCESS
Capacity 600 passengers, two outdoor pools (one with sliding glass roof), Continental cuisine.
Oct. 13 — Twenty-seven-night voyage from Sydney to Los Angeles, calling at Auckland, Lautoka, Apia, Bora Bora, Papeete, Moorea,

Christmas Island and Honolulu. From \$6,237 to \$11,745.

Royal Viking Line

ROYAL VIKING STAR
Capacity 725 passengers, two outdoor pools, international cuisine.
Dec. 19 — Twenty-five-night Christmas/New Year's cruise from San Francisco, calling at Los Angeles, Nukuhiva, Moorea, Papeete, Bora Bora, Honolulu and Lahaina. From \$4,975 to \$16,125.

European Waters and the Mediterranean

Costa Cruises

DANAE
Capacity 405 passengers, two outdoor pools, Greek cuisine.
Sept. 18 and Oct. 2 — Fourteen-night cruise from Venice, calling at Katakolon, Alexandria, Haifa, Kusadasi, Istanbul, Piraeus, Corfu and Dubrovnik. From \$1,820 to \$4,000.

ENRICO C.
Capacity 700 passengers, three outdoor pools, Italian cuisine.
Sept. 18 to Oct. 9 — Seven-night western Mediterranean/North Africa cruises departing on Saturday from Genoa, calling at Barcelona, Palma de Majorca, Bizerte, Palermo and Naples. From \$790 to \$1,220.

FEDERICO C.
Capacity 689 passengers, three outdoor pools, Italian cuisine.
Sept. 29 — Ten-night Canary Islands/North Africa cruise from Genoa, calling at Barcelona, Funchal, Tenerife and Casablanca. From \$1,295 to \$2,475.

ITALIA
Capacity 514 passengers, outdoor pool, Italian cuisine.
Sept. 26 to Oct. 10 — Seven-night Greek Island cruises departing on Sundays from Venice, calling at Rhodes, Piraeus, Mykonos and Dubrovnik. From \$705 to \$1,350.

Chandris

ROMANZA
Capacity 600 passengers, outdoor pool, Greek cuisine.
Sept. 25 to Oct. 9 — Seven-night Greek Isles

Continued on page 8W

Free Enterprise, Starring Charlton Heston

by Vicky Elliott

PARIS — Charlton Heston was just back, untruffled, from a meeting with Jack Lang, France's militant minister of culture. They didn't get a chance to meet at Mexico City in July, when Lang made headlines by attacking "cultural imperialism" at the UNESCO cultural conference and Heston, as an observer with the U.S. delegation, was called on to defend American enterprise.

In Paris this week, some of the feathers were smoothed, and, by the time 90 minutes were up, some neutral territory portioned out. They could agree that, as Heston puts it, spilling out of the furniture at his Paris hotel, "film is the most international of the arts." Both could also admit to the unwieldy label of "cultural internationalists."

"I've worked in 11 countries with writers and directors of all nationalities — and this is entirely typical of film activity. To pretend that film should be limited within its national boundaries" — the great brow furrows — "is simply unrealistic."

At 59, Heston still looks as if he just stepped down from Mount Rushmore; that beaming look set on a frame that still sits well on a horse, withstands a mean game of tennis and grapples with locations in the Yukon or the Philippines. He has well over 50 films behind him: someone once calculated that they have grossed more than \$1 billion.

His hair is sandy, fading him out somehow, though the profile is just as sharp through the lines, and his shoulders hover over the fussy hotel room with a kind of massive bestiarity. He seems hemmed in; he needs more raw space, and he admits that he has never felt very comfortable in France, although, diplomatically, he is at pains to point out that French audiences have always been very kind to him.

It isn't his business, he insists, as a guest and as a private citizen, to comment on French politics. He came here to sell his new film, "Mother Lode," at the Deauville Festival of American Cinema, where it was titled "La Fievre d'Or."

But Heston, like the faces on Mount Rushmore, isn't a private citizen. He has made a career of incarnating authority, on screen and off, from Moses to Mark Antony to Cardinal Richelieu, as six-time president of the Screen Actors' Guild and as President Ronald Reagan's choice to head a White House task force on the arts and humanities last year. And he isn't about to slide out of anything, any more than he has slid out of his 38-year marriage to Lydia Clarke, approaching a Hollywood record.

A kind of elder statesman of the U.S. film industry, Heston knows something about the actor as a public figure. President Reagan is a colleague and an old friend. "Actors are actually very well equipped for public life," says Heston, obligingly arranging his craggy features against the light for a photographer. "They have won the battle of identification by the public — how many millions did Jack Kennedy's father spend in getting his son known? — and they are good communicators. Politics involves performance."

He throws in Winston Churchill as ballast. "Blood, toil, tears and sweat" — nobody believes he made that speech up on the spur of the moment, and he made it twice. Churchill was a meticulous actor. So was De Gaulle."

He goes on to great generals (he has played a few military men himself, from El Cid to Capt. Man Garth of the Battle of the Midway), Gen. Douglas MacArthur, he recalls, waded ashore in the Philippines near the end of World War II and replayed the scene twice because they hadn't managed to photograph it right. "It was a gesture of leadership," Heston says. "It doesn't mean that it was any less real."

Heston never wished to follow President Reagan over the line to politics, though there have been opportunities. "I'm that rare avis," he says, "an independent, and I've pulled off the hat trick: Both parties have asked me to stand as candidate for senator." In his jour-



Charlton Heston in his hotel in Paris.

nals, published in 1978 as "An Actor's Life," he explains how he couldn't embark on anything without feeling wholehearted about it. His real commitment, he has said, is to the acting profession.

But Heston wears his colors on his coat and makes no bones about defending his vision of democracy. He mistrusts government interference in the arts, quotes Joseph Goebbels as the "best-known minister of culture in the 20th century," and recalls how another one, Greece's Melina Mercouri, agreed with him the other day that any attempt to recruit artists in the service of the state simply drove them out. (Mercouri refused to be drawn when he went on to bring up the "two or three carloads" of Soviet dancers and actors who have surfaced in the West.)

Who is to pay the piper? Socialist governments, he realizes, are suspicious of the workings of the marketplace, but for Heston, the logic of the box-office is less sinister than the strategy of cultural engineers: "Government control of what you read and write and see and hear is undemocratic," he insists. In the film industry, the artist cannot himself pay for the raw material of his art; Heston would prefer to see the public help pay back the financing. "Somebody has to go into those dark cinemas and buy the tickets," he says. "It worries me much more if nobody has any choice but the government."

His report with the task force on the arts, now cranking through Congress, recommended that the structures of public funding in the arts be left pretty much the way they are, although Heston had hoped to revitalize the Federal Arts Council, which he calls "more or less moribund."

He has no quarrel with the fact that films made in the United States, unlike those made in many European countries, cannot command as much as 50 percent of their budget from public subsidies — which he prefers to call "federal tax dollars" to remind everyone where they came from. "Grants" makes it sound as if they're free.

And any grant is subject to selection, he says. "If you make clay pots and I make straw mats and the government decides to subsidize clay pots, I'm not going to be very happy about it," he says. "But you can't avoid that."

Heston hasn't let the matter drop there. "I've put in my time on the Hill," he says — he has worked with countless congressional committees — "lobbying for money for the arts." He fits public service projects into the cracks

between films, donating his services as narrator to such projects as a recently completed documentary on refugee camps in the Third World; a history of NATO, titled "Barriers," for which he did the narration and, perhaps more forgettably, that television blockbuster "Let Poland Be Poland."

Other controversies cropped up over the last year. When the Screen Actors' Guild snatched back its award to President Reagan after his handling of the air traffic controllers' strike, Heston called it an "embarrassment." Today he says he is more incensed by what he calls a "shocking dereliction of responsibility" by the current union president, Ed Asner, who chose to disburse \$5,000 of the dues of unemployed actors to the air-traffic controllers' union.

Heston has different views about what the Screen Actors' Guild should be doing for the 55,000 registered actors in the United States, 76 percent of whom earn less than \$2,500 a year from acting. Under the poverty line, he says, many find themselves supplementing their income "as bagboys, real-estate salesmen, bookers and carwashers, and all sorts of unpleasant things."

What they need is to work full-time (it was during Heston's stewardship of the union that they negotiated what he calls the best actors' contract in the world) and the union should be exploring ways to get them work rather than expressing solidarity "with some stocking factory in Kenosha, Wisconsin." "Big labor can do very well on its own. The Teamsters make a lot of money and they're all employed."

The Asner vs. Heston story made news again earlier this year in the United States when Asner protested loudly against CBS's decision to take his outspoken television series, "Lou Grant," off the air and accused Reagan and Heston in turn of having a hand in the cancellation. He retracted his outburst against Asner though, better of implicating him. He says the demise of "Lou Grant" is falling ratings — the forces of the market at work again. "Shows are canceled every spring," he says.

"Would that I had the power —" Heston savors his own rhetoric — "would that I had the power to influence the networks. I'd reschedule retrospectives of my old films every day."

For the time being, he's not looking to extend his influence. "I've already been president three times," he says — as Jefferson, Jackson and Franklin D. Roosevelt, that is.

TRAVEL

International Datebook

AUSTRIA

VIENNA, International Theater (tel: 31.62.72) — Through September: "Who's Afraid of Virginia Woolf?" (Albee).
 •Könsthaus (tel: 72.12.11) — Sept. 18: Vienna Philharmonic, Leonard Bernstein conductor (Brahms, Mozart).
 •Museum Moderner Kunst (tel: 78.25.50) — To Sept. 26: "American Impressionism."
 •Staatsoper (tel: 53.24/23.45).
 Sept. 19: "Die Fledermaus" (J. Strauss).
 Sept. 22: "La Bohème" (Puccini).
 BALLET — Sept. 20, 24: "Romeo and Juliet" (Prokofiev).

BELGIUM

BRUSSELS, Musée Royal des Beaux-Arts (tel: 513.96.30) — Sept. 24-Dec. 6: "Magritte and Surrealism in Belgium."
 •Palais des Beaux-Arts (tel: 512.50.45) — Sept. 24: Belgian National Orchestra, Ronald Zolman conductor, Malcolm Fraser piano (Prokofiev, Tchaikovsky).
 •Théâtre Royal de la Monnaie (tel: 212.11.02) — Brussels National Opera — Sept. 19, 22: "Idomeneo" (Mozart).
 Sept. 24: National Opera Chamber Orchestra (Mozart, Beethoven).

ENGLAND

LONDON, Barbican Centre (tel: 628.87.95).
 Barbican Concerts — To Oct. 25: "Impromptu," history of the Royal Shakespeare Company through its posters.
 Barbican Hall — Sept. 19: Royal Philharmonic Orchestra, Pascal Rogé piano (Beethoven).
 Sept. 22: London Symphony Orchestra, Charles Groves conductor (Weber, Mendelssohn).
 Sept. 23: London Symphony Orchestra, London Symphony Chorus (Elgar, Fauré).
 Barbican Theatre — Royal Shakespeare Company — Sept. 18: "Henry IV Part II."
 •British Museum (tel: 636.15.55) — To Jan. 9: "Great Moravia: The Archaeology of 9th-Century Czechoslovakia."
 •Chelsea Old Town Hall — To Sept. 25: Chelsea Antiques Fair, including loan exhibit of Chinese opium pipes.
 •London Coliseum (tel: 336.31.61).
 Sept. 18, 21: "The Magic Flute" (Mozart).
 Sept. 22: "Rigoletto" (Verdi).
 Sept. 23: "The Barber of Seville" (Rossini).
 •Royal Academy of Arts (tel: 734.50.52) — Sept. 18-Oct. 31: "Contemporary Indian Art."
 •Royal Festival Hall (tel: 928.31.91).
 Sept. 18, 19: Ella Fitzgerald and Trio/Count Basie and Orchestra/Oscar Peterson Trio.
 Sept. 21: Ella Fitzgerald and Trio.
 Sept. 23: Count Basie and Orchestra.
 •Tate Gallery (tel: 821.13.13).
 To Nov. 15: "Watercolors and Drawings by Rossetti."
 Sept. 22-Nov. 7: "Howard Hodgkin's Indian Lezard."
 •Wembley Arena (tel: 902.12.34) — Sept. 23, 24: Roxi Music.
 •Wigmore Hall (tel: 935.21.41) — Sept. 21: Moray Welsh cello, Anthony Goldstone piano (Beethoven).

FRANCE

LYONS, Berlioz Festival (tel: 860.37.13).
 •Auditorium M. Ravel — Sept. 18: French Youth Orchestra, Jérôme Kalisch conductor/Lyons Chamber Orchestra, Bernard Tétu conductor.
 •La Côte Saint-André, Château — Sept. 18: Lyons Harmonie Ensemble, Claude Lecoq conductor.
 Sept. 20: Lyons Orchestra and Choir/Philharmonia Orchestra/Regional Choirs — "We Praise Thee, O God" (The Childhood of Christ).
 •Opéra de Lyons — Sept. 20: Térésa Berganza/Juan Antonio piano.
 •Palais des Sports — Sept. 18, 23: Lyons Opera — "Benvenuto Cellini."
 PARIS, Centre Culturel d'Egypte (tel: 633.75.67) — Sept. 23-Oct. 8: Farhah Abdel Hafiz pastels.
 •Musée des Arts Décoratifs — Sept. 22-Dec. 19: "Roy Lichtenstein."
 •Paris Opera (tel: 24.05.08) — Sept. 23: "Eugene Onegin" (Tchaikovsky).
 •Palais de Chaillot (tel: 727.97.27) — Sept. 24-Oct. 31: "Roman Mural Paintings of Pompeii and Herculaneum."
 •Palais des Congrès (tel: 738.27.78) — Sept. 23-Oct. 26: Chorus Song and Dance Ensemble — "The Silk Road."

OF SPECIAL INTEREST

JOHN CAGE'S BIRTHDAY

PARIS — To celebrate John Cage's 70th birthday, Jack Lang, France's Minister of Culture, will honor the composer with the title of "Commander of Arts and Letters" at an evening organized by the American Center at the Théâtre du Rond-Point Renaud-Barrault on Sept. 23. Participating in a tribute featuring Cage's orchestral music

Sept. 21: Peter Serkin piano (Stravinsky, Beethoven).
 Sept. 24: Junge Deutsche Philharmonie, Charles Dutoit conductor (Mahler).
 •Berlin Mahler Festival (tel: 030/263.41).
 Sept. 20: Berlin Radio Symphony Orchestra, Charles Dutoit conductor.
 Sept. 21: Peter Serkin piano.
 Sept. 23: Berlin Deutsche Oper Choir and Orchestra, Jesus Lopez Cobos conductor.
 Sept. 24: Junge Deutsche Philharmonie, Charles Dutoit conductor.
 FRANKFURT, Alte Oper (tel: 061/154.0).
 Sept. 20: Frankfurt Philharmonic Association Orchestra, Helmut Steinbach conductor (Brahms, Beethoven).
 Sept. 22-24: Frankfurt Radio-Symphony Orchestra, Elisha Inbal conductor (Buckner, Bach).
 •Cafe Theater (tel: 63.64.64) — To Sept. 20: "Look Back in Anger" (T. S. Eliot), English-speaking theater.

GREECE

ATHENS, Herod Atticus Odeon (tel: 323.27.71) — Sept. 18, 19: Bolshoi Opera — "Boris Godunov" (Mussorgsky).
 Sept. 20: Bolshoi Opera Orchestra.
 Sept. 21: Bolshoi Opera — "Eugene Onegin" (Tchaikovsky).

NETHERLANDS

AMSTERDAM, Concertgebouw (tel: 71.83.45).
 Sept. 18: Netherlands Chamber Orchestra, David Zinman conductor, Rudolf Buchbinder piano (Haydn, Rostropovich).
 Sept. 19: Jorge Bolet piano (Schumann, Rachmaninov).
 Sept. 24: Amsterdam Philharmonic Orchestra, Anton Kargen conductor (Wagner, Beethoven).
 •Stadsschouwburg (tel: 24.23.11) — Sept. 19, 20: "Simon Boccanegra" (Verdi).
 •Woddy Museum — To Oct. 3: "De Soj retrospective, 1917-1923."
 ROTTERDAM, Abney — Sept. 20: Neil Young/Nils Lofgren.
 •De Doelen — Sept. 23, 24: Rotterdam Philharmonic, Eugene Ormandy conductor, Christa Ludwig contralto (Mahler, Brahms).

SCOTLAND

EDINBURGH, The Queen's Hall (tel: 577.27.38) — Sept. 19: Tara Valjak soprano (Rachmaninov, Berg).
 GLASGOW, Citizens Theatre (tel: 429.81.77) — Sept. 20-25: 7:84 Theatre Group — "Men Should Weep" (Stewart).
 •Theatre Royal (tel: 331.12.34) — Sept. 20-25: Royal Shakespeare Company — "Educating Rita" (Russell).

SWITZERLAND

ASCONA, International Music Festival (tel: 093/35.55.44).
 •Eglise du Collegio Papiro — Sept. 21: Jean-Pierre Rampal flute, Robert Veyron-Lacroix harpsichord (Couperin, Corelli).
 •Eglise de San Francesco Locarno — Sept. 24: RSI Orchestra, Marc Andress conductor, Ralph Kirschbaum cello (Cavallini, Beethoven).
 BERN, Abegg Foundation (tel: 80.12.01) — To Oct. 24: "History of Linen Dams: 16th-19th century."

UNITED STATES

NEW YORK, Actors and Directors Theatre (tel: 479.42.00) — "Inserts," Larry Loomis director, starring Kevin O'Connor.
 •Prakas Gallery (tel: 737.60.66) — To Oct. 23: "After De Stijl: The New Photography in Holland."

TURIN, Music Festival (tel: 53.97.582).
 Sept. 18: Maurizio André trumpet, Alfredo Mitterhofer organ (Handel, Vivaldi).
 Sept. 19: Athens Greek Byzantine Choir, Lykourgos Angelopoulos conductor.
 Sept. 20: La Scala Choir, Romano Gandolfi conductor (Rossini).

JAPAN

TOYO, Bridgestone Art Museum (tel: 563.02.41) — To Nov. 3: "Rembrandt" (from the Hermitage, Leningrad).
 •Ishibashi Memorial Hall (tel: 403.80.11) — Sept. 20, 22: American Brass Quintet (Bach, Poulenc).
 •Okura Shokoku Museum (tel: 583.07.81) — To Sept. 26: "Buddhist Art Exhibition."
 •Rikuo Art Museum (tel: 571.32.54) — To Oct. 24: "Famitsu Beauty in Woodblock Prints 1900-1930."
 •Shinjuku Bunka Center (tel: 571.11.36) — Sept. 27: Bella Davidovich piano (Chopin, Schumann).
 •Tokyo Bunka Kaikan (tel: 270.61.91) — Sept. 24: "Falsalt" (Verdi).

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Port Means Left, and Other Tips

by Sandy Rovner

WASHINGTON — The question is: Do you cruise for the sake of the cruise or do you cruise to get from place to place? If you're an ocean person, happy just bunched up in any kind of a deck chair in any kind of weather on any kind of cruise ship, you know you can spend endless hours watching the waves, hoping to sight a whale or even an albatross, just being glad you're away from telephones, television and, in fact, the world. We've been on only two cruises, the first about 20 years ago and the second about 4 years ago. Two cruises certainly does not make an authority, but we came away from each with definite strategies for making the most of it. And we would happily repeat either experience. In each case we were on one-class ships. If there was a captain's table, we never saw it. In fact, I suppose there must have been a captain, but we never saw him at all. Twenty years ago, having parked our kids with amenable grandparents, we cruised to Nassau. It was winter and colder than we had expected. "Tomorrow it will be warm," somebody promised every day. "Tomorrow" was probably warmer somewhere, but not on our cruise ship. Even Nassau was cold. Too cold to swim. We sat on the beach on the only afternoon we had there and shivered. A group of wraithlike creatures and some inattentive male companions who had picked the curiosity of everybody on board turned out to be a clutch of models for a rum advertisement. You think we were cold: They were being photographed in the surf. Nevertheless, a cruise is a quite special experience. In the first place, it is almost obscenely luxurious. One learns very quickly to enjoy being waited on. And even when it's too cold to swim, a brisk walk topside, a cup of bouillon and a blanket deck chair will do more to relax you than any mantra. And then it's time for lunch. Liquor is incredibly cheap, and the bars are always open and always busy. At night there are dances. As for shopping, it's your chance to go wild in free ports. Then the

next night back on the ship you try to find someone who paid more for something than you did. Otherwise it's not worth it. In fact, this sort of thing can positively ruin a trip.

Then there's eating. Early sitting or late. Late, of course. And of course you never got to know anybody on the early sitting. When you weren't eating, they were. And vice versa. Besides, people at early sittings tend to be, well, stuffy.

There were a couple at our table (they were early-sitting types trying to pass) who were determined to have everything they were entitled to; and then some — a dentist and his wife from the Midwest.

The first night they demanded escargots. No escargots. Same thing next night. By the third night the dentist and his wife were determined to make it a shooting war. The waiter shrugged. The fourth night they got their snails, all done up with garlic butter and shells. We spent the rest of the trip trying to figure out where the escargots came from. We had not, after all, docked anywhere. We were, after all, on relatively high seas. Our snailstest guess: Scraped from the hull. Our conclusion: They deserved it.

If you get seasick, you probably should not go on any kind of a cruise. Most of the medicines ease the sickness by putting you to sleep. That's no fun either. So if you know that you're seriously seasick-prone, you'd probably better fly. I never saw anyone who was really seasick get better, but there are a few hours of obligatory queasiness for almost everyone. Things to do when you get on a cruise ship:

- Make sure all your baggage gets to your stateroom.
- Sign up for your dining-room sitting.
- Stake out a deck chair. The idea is to figure out which side will be shady (or sunny) in the morning or afternoon, whenever you think you might be there, and sign up accordingly.
- Give yourself a tour of the ship before it leaves port so you won't get lost later. You will anyway, but learn the important things. The best way to get from stateroom to dining room, the best way to get from stateroom to swimming pool. Priorities on a cruise ship are amazing.

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Sailing Into Fall

Continued from page 7W

and Yugoslavia cruise departing on Saturdays from Venice, calling at Dubrovnik, Corfu, Heraklion, Rhodes and Piraeus, with a transit of the Corinth Canal. (Also available as a seven-night cruise from Piraeus on Sept. 23, Sept. 30 and Oct. 6.) From \$835 to \$1,210.

Oct. 16 — Fourteen-night cruise from Venice, calling at Katakolo, Alexandria, Haifa, Limassol, Rhodes, Gytheion and Pylas. From \$1,416 to \$2,299, including round-trip air fare from New York and three nights in hotels in Italy and Greece.

Cunard Line

QUEEN ELIZABETH 2
 Capacity 1,800 passengers, two outdoor and two indoor pools, Continental cuisine.
 Oct. 9 to Oct. 25 — Seven-night cruises from Southampton, calling at Málaga, Gibraltar, Lisbon and Vigo. From \$1,255 to \$3,755.
 Nov. 20 — Seven-night Atlantic isles cruise from Southampton, calling at Madeira and Tenerife. From \$1,095 to \$3,285.

Cycladic Cruises

CITY OF HYDRA
 Capacity 600 passengers, outdoor pool, Greek cuisine.
 Year round — One-day cruises departing daily from Paleon Phaliron, calling at Hydra, Poros and Aegina. Fare: \$33 a person including lunch, no cabin required; transportation provided from hotels in Athens to the ship.

CITY OF MYKONOS
 Capacity 318 passengers, outdoor pool, international cuisine with Greek specialties.
 Sept. 27 to Oct. 25 — Seven-night cruises departing Mondays from Piraeus, calling at Port Said, Ashdod, Limassol, Rhodes, Kusadasi and Mykonos. From \$795 to \$1,150.

CITY OF RHODOS
 Capacity 507 passengers, outdoor pool, international cuisine with Greek specialties.
 Sept. 27 to Oct. 25 — Four-night cruises departing Mondays from Piraeus, calling at Mykonos, Kusadasi, Patmos, Rhodes, Heraklion and Thera (Santorini). From \$450 to \$765.
 Sept. 24 to Oct. 22 — Three-night cruises departing Fridays from Piraeus, calling at Mykonos, Rhodes, Heraklion and Thera (Santorini). From \$325 to \$625.

ATLAS
 Capacity 568 passengers, two outdoor pools, indoor pool, Continental cuisine with Greek specialties.
 Sept. 27 to Nov. 8 — Seven-night cruises departing Mondays from Piraeus, calling at Rhodes, Ashdod, Port Said, Patmos and Kusadasi. (Some late fall sailings may be aboard the Oceanus or Orpheus.) From \$842 to \$1,890.

JASON
 Capacity 268 passengers, outdoor pool, Continental cuisine with Greek specialties.
 Sept. 24 to Nov. 5 — Seven-night cruises departing Fridays from Piraeus, calling at Thera (Santorini), Heraklion, Rhodes, Patmos, Kusadasi, Istanbul and Mykonos. (Some late fall sailings may be aboard the Jupiter or Neptune.) From \$842 to \$1,535.

JUPITER
 Capacity 372 passengers, outdoor pool, Continental cuisine with Greek specialties.
 Sept. 27 to Nov. 8 — Four-night cruises departing Mondays from Piraeus, calling at Mykonos, Thera (Santorini), Heraklion, Rhodes, Kusadasi and Patmos. (Some late fall sailings may be aboard the Neptune or the Orpheus.) From \$340 to \$620.

Hapag-Lloyd
 EUROPA II
 Capacity 600 passengers, two outdoor pools, international cuisine.
 Oct. 2 — Fourteen-night cruise from Genoa, calling at Valletta, Heraklion, Rhodes, Kusadasi, Volos, Mykonos, Piraeus and Syracuse. From \$1,440 to \$4,880.
 Oct. 16 — Seven-night cruise from Genoa, calling at Ischia, Trapani, Tunis, Mahon and Villefrance. From \$718 to \$2,400.
 Oct. 23 — Fifteen-night cruise from Genoa, calling at Valletta, Heraklion, Alexandria, Haifa, Kusadasi and Piraeus. From \$1,538 to \$5,232.
 Dec. 23 — Fifteen-night cruise from Genoa, calling at Tunis, Heraklion, Alexandria, Haifa, Izmir and Piraeus. From \$1,780 to \$6,035.

Hellenic Mediterranean Lines
 AQUARIUS
 Capacity 297 passengers, outdoor pool, Continental cuisine.
 Sept. 17 to Oct. 22 — Seven-night cruises departing Fridays from Piraeus, calling at Thera (Santorini), Heraklion, Rhodes, Patmos, Kusadasi, Istanbul and Mykonos. From \$846 to \$1,500.

"K" Lines —
 Hellenic Cruises
 ATLANTIS
 Capacity 296 passengers, outdoor pool, Continental cuisine.
 Sept. 27 to Oct. 25 — Four-night cruises departing Mondays from Piraeus, calling at

Mykonos, Kusadasi, Patmos, Rhodes, Heraklion and Thera (Santorini). From \$450 to \$670.
 Sept. 17 to Oct. 29 — Three-night cruises departing Fridays from Piraeus, calling at Delos, Mykonos, Rhodes, Heraklion and Thera (Santorini). From \$330 to \$520.

CONSTELLATION
 Capacity 413 passengers, outdoor pool, international cuisine.
 Sept. 25 to Oct. 23 — Fourteen-night cruises departing alternate Saturdays from Genoa, calling at Barcelona, Palermo, Heraklion, Port Said, Ashdod, Kusadasi, Piraeus and Capri. From \$1,650 to \$4,300.

GALAXY
 Capacity 286 passengers, Continental cuisine.
 Sept. 21 to Oct. 26 — Three-night cruises departing on Tuesdays from Piraeus, calling at Delos, Mykonos, Rhodes, Heraklion and Thera (Santorini). From \$450 to \$670.

ORION
 Capacity 243 passengers, outdoor pool, Continental cuisine.
 Sept. 21 to Oct. 26 — Seven-night cruises departing Tuesdays from Piraeus, calling at Port Said, Ashdod, Limassol, Rhodes, Kusadasi and Patmos. From \$845 to \$1,300.

Lauro Line Tours
 OCEANUS
 Capacity 500 passengers, outdoor pool, Continental cuisine.
 Sept. 25 — Fourteen-night voyage from Genoa to Venice, calling at Naples, Alexandria, Port Said, Haifa, Kusadasi, Istanbul, Piraeus and Dubrovnik. From \$1,590 to \$2,470.
 Oct. 9 — Eleven-night cruise from Venice, calling at Haifa, Port Said, Alexandria, Piraeus and Dubrovnik. From \$1,115 to \$1,730.

Norwegian American Cruises
 VISTAFJORD
 Capacity 635 passengers, outdoor and indoor pools, international cuisine.
 Oct. 17 — Fifty-four-night cruise from Genoa, calling at Port Said, Suez, Safage, Port Sudan, Aden, Mogadishu, Mombasa, Zanzibar, Musamda, Noye Be, Maputo, Durban, Tamarave, Port Louis, St. Denis, the Seychelles Islands, the Maldives Islands, Colombo, Goa, Bombay, Aden and Jeddah. From \$8,850 to \$17,690.
 Dec. 18 — Sixty-night Christmas/New Year's voyage from Genoa to Southampton, calling at Port Said, Suez, Safage, Port Sudan, Aden, the Seychelles Islands, Noye Be, Musamda, Zanzibar, Mombasa, Tamarave, Port Louis, Maputo, Durban, Port Elizabeth, Cape Town, Walvis Bay, St. Helena, Lagos, Lomé, Accra, Abidjan, Freetown, Dakar, Tenerife, Madeira and Lisbon. From \$10,290 to \$20,580.

Paquet Cruises
 MERMOZ
 Capacity 550 passengers, two outdoor pools, French cuisine.
 Oct. 18 — Forty-six-night cruise from London, calling at Port Said, Safage, Hodeida, Djibouti, Colombo, Trincomalee, Pondicherry, Madras, Cochin, Marmagao, Bombay, Aden, Agaba, Suez and Messina, with double passage through the Suez Canal. From \$4,980 to \$9,700.

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 Capacity 635 passengers, outdoor and indoor pools, international cuisine.
 Oct. 3 — Fourteen-night cruise from Genoa, calling at Malta, Crete, Alexandria, Haifa, Delos, Mykonos, Piraeus and Strumboli, with passage through the Straits of Messina. From \$2,420 to \$4,830.

P&O
 CANBERRA
 Capacity 1,800 passengers, two outdoor pools, Continental cuisine.
 Sept. 25 — Fourteen-night cruise from Southampton, calling at Barcelona, Elba, Naples, Cannes and Palma. From \$1,890 to \$3,058.
 Oct. 9 — Thirteen-night cruise from Southampton, calling at Vigo, Madeira, Tenerife, Las Palmas, Gibraltar and Lisbon. From \$1,776 to \$2,860.

SEA PRINCESS
 Capacity 854 passengers, two outdoor pools, indoor pool, Continental cuisine.
 Sept. 25 — Twelve-night cruise from Southampton, calling at Madeira, Las Palmas, Lanzarote, Agadir and Casablanca. From \$2,190 to \$3,692.
 Oct. 18 — Thirteen-night voyage from Southampton to Piraeus, calling at Cadiz, Kos, Istanbul, Rhodes, Mykonos and Delos. From \$2,384 to \$3,974, including air fare from Athens back to London.
 Nov. 13 — Thirteen-night voyage from Venice to Piraeus, calling at Corfu, Alexandria, Haifa, Rhodes, Izmir and Volos. From \$2,398 to \$4,064, including air fare from London to Venice and from Athens back to London.
 Nov. 26 — Fourteen-night voyage from Piraeus to Southampton, calling at Rhodes, Alexandria, Haifa, Málaga and Vigo. From \$2,076 to \$3,482, including air fare from London to Athens.

Royal Cruise Line
 GOLDEN ODYSSEY
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 Sept. 23 — Fourteen-night cruise from Piraeus, calling at Kusadasi, Istanbul, Mykonos, Rhodes, Port Said, Haifa and Hydra. (Additional departures on Oct. 5 and Oct. 17.) From \$1,558 to \$2,898.

ROYAL ODYSSEY
 Capacity 816 passengers, outdoor and indoor pools, Continental cuisine with Greek specialties.
 Oct. 13 and 25 — Fourteen-night cruise from Piraeus, calling at Kusadasi, Istanbul, Mykonos, Rhodes, Alexandria and Haifa. From \$1,558 to \$2,898.

Sun Line Cruises
 STELLA MARIS
 Capacity 180 passengers, outdoor pool, international cuisine.
 Sept. 27 to Oct. 25 — Four-night cruises de-

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Oct. 4 and 18 — Seven-night cruises departing every other Monday from Piraeus, calling at Port Said, Ashdod, Haifa, Rhodes, Kusadasi and Samos. From \$950 to \$1,850.

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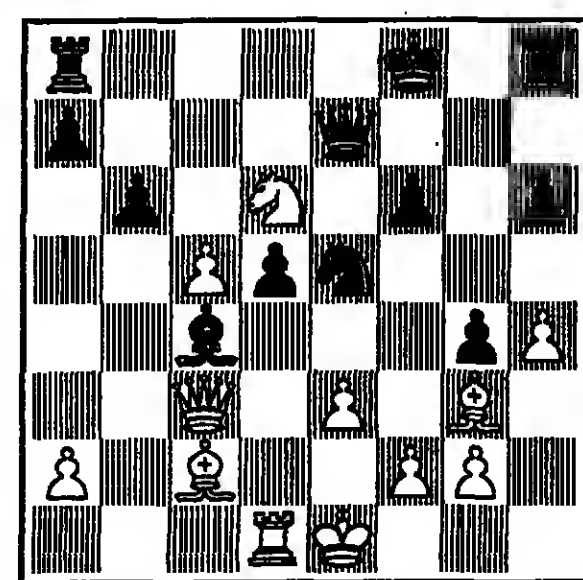
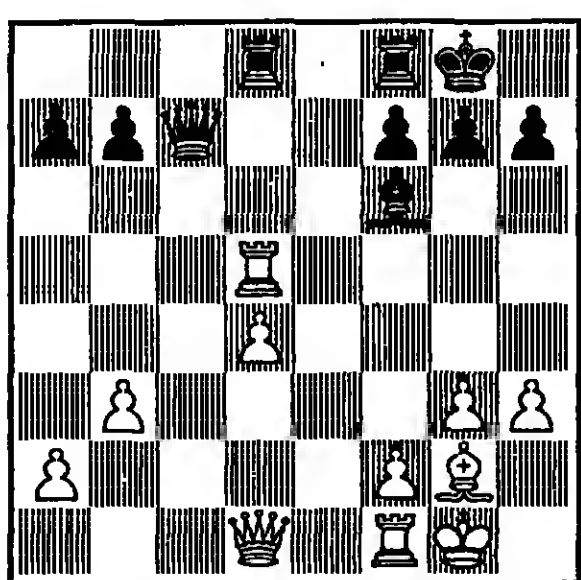
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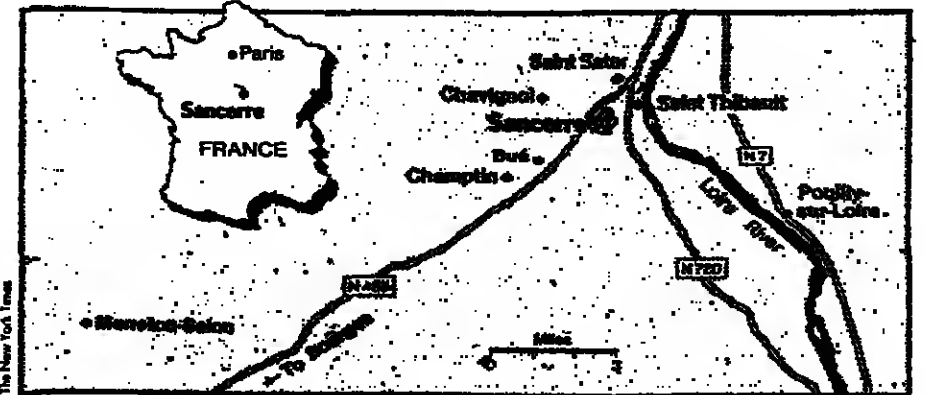
TRAVEL

Sancerre, Pure and Simple

by Patricia Wells

SANCERRE, France — With the world of wine, food and travel so full of superlatives, it is refreshing to find a wine, food and village that do not pretend to be more than they are. Sancerre provides all three.

The dry, flinty white Sancerre is a wine with backbone, one that is simply for drinking and enjoying rather than postulating about. The food of this easternmost region of France's Loire Valley is plain and pure: fresh river fish, fruits and vegetables, and chalky goat cheese that is a natural mate for the uncomplicated wine. And in the village of Sancerre, which is perched on a hilltop overlooking the narrow, winding Loire River, there's not much going on. Nevertheless, to visit it helps one understand the simplicity and natural affinity that food, wine and the land have for one another.



Loire is full of tiny fish, local cafés post signs announcing "La Friture est Arrivée," meaning that someone has caught the various smelt-like fish — tiny éperlans, goujons and gardons — that are dipped in milk and seasoned flour, fried and served in mounds on large heated platters. The wine grown on the land just beside the river tastes just right with the fish.

The restaurant that typifies the self-consciousness of the region is L'Etoile, an overgrown porch of a restaurant along the Loire in Sancerre. It offers a variety of fish and meat dishes cooked over a charcoal fire in the main dining room, and there's a little terrace for summer or fall dining. The house Sancerre is crisp and correct.

L'Etoile's cheese tray includes an assortment of local goat cheese, some fresh and mild, others demi-sec and only slightly pungent, still others strong and hard enough to crack a tooth. The Sancerre wine and the goat cheese have the same effect on the palate: They are dry, force a bit of a pucker and leave a distinctive but surprisingly pleasant aftertaste of straw.

The region's route du vin is well marked and, as in the rolling hills of Beaujolais to the south, one can easily pass an afternoon stopping at one vineyard after another, getting lost but not caring, comparing the wines. They differ from grower to grower because the makeup of the soil takes drastic turns. The villages producing the best wines include Buz, Chavignol and Champigny.

The region's winegrowers are already ecstatic over the 1982 vintage, for this year's hot, dry and sunny weather is just what they need to create a crisp and balanced wine. In wet years, the wine turns acid and, some say, has the less-than-appealing aroma of wet wool.

The village of Pouilly-sur-Loire, just across the river, is famous for Pouilly Fumé, a wine that, like Sancerre, is made exclusively from the Sauvignon Blanc grape. Pouilly Fumé is also fruity and dry, but a bit more complex and sophisticated than Sancerre, and it tastes even better after a few years of aging.

The town of Pouilly-sur-Loire doesn't have the appeal of Sancerre, but its growers are just as keen on the wine. The visitor can drive through the area, stopping along the way for tastings and a chat. The best-known Pouilly Fumé is produced at the Chateau de Nozet, sold under the La Douceur label.

Another regional wine worth sampling is Menetou-Salon, a white from the town of Menetou-Salon, southwest of Sancerre, that is becoming more popular in Paris bistros, since

at about 15 francs a bottle at the vineyards, it's cheaper than Sancerre and Pouilly Fumé. But it is not worth the same price as the better-known local specialties.

Finding good cheese at the source is not so simple. Goat cheese has taken on a new popularity in France, as it has in the United States, giving rise to overproduction. When young Frenchmen want to "drop out," they turn to goat farming and cheese-making, and the results vary remarkably.

The extensive cheese-aging rooms of Michel Denizot in Chavignol, for example, which produce 25,000 crottins a day, are a case in point. A sampling of four at various stages of maturity was an experiment in gastronomic futility: Each lacked the finesse, smooth texture and clean, flinty flavor that has made the crottin de Chavignol one of the finest little cheeses of France.

Many caves are closed on weekends so it is best to call ahead when planning a visit. Les Caves de la Mignonne, Route de Saint-Satur, near Sancerre, for tastings of the region, with crottin de Chavignol; tel: (36) 54.03.85. In Sancerre: At Alphonse Melot, sample the Domaine la Mousinière (48) 54.07.41. J. Vacheron, for simple, dry Sancerre (48) 54.05.93. Both have a shop and tastings rooms in the center of town. In Chavignol: Denis de Chavignol, for Menetou-Salon, Pouilly Fumé and Sancerre, (48) 54.01.51. In Pouilly-sur-Loire: Chateau de Nozet, for La Douceur, the most famous Pouilly-Fumé, (86) 39.10.16. In Menetou-Salon: Vignerons Jacques-Coeur, for the lesser-known dry white Menetou-Salon, (48) 64.80.91. In Saint-Satur: Domaine Laporte, Domaine du Rochay Sancerre, for an uncomplicated Sancerre, (48) 54.04.07.

Some of the following popular restaurants also serve as small hotels. In Sancerre: Auberge Alphonse Melot, 16 Place de la Halle, (48) 54.20.53. A simple place in the center of town, for sampling Melot's excellent Sancerre, with crottin de Chavignol, local ham or an omelet. About \$10 a person. In Saint-Thibault: L'Etoile, 2 Quai de la Loire, (48) 54.12.15. Excellent fish and meat specialties grilled on a wood fire, with Sancerre and a cheese platter. About \$20 a person. Rooms cost about \$17 a night. In Pouilly-sur-Loire: L'Esplanade, 17 Rue René Coeur, (86) 39.10.68. The only Michelin-starred (one) restaurant in the immediate area. The food is far from great, but this is the place for sampling many regional specialties, including friture (tiny fried river fish), coq au vin blanc (chicken stew made with white wine) and mouton (see stew). About \$25 a person. Rooms, \$25 a person.

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Sherlock Holmes's study in Lucens, Switzerland.

The Case of the Immortal Detective

by Mavis Guinand

LUCENS, Switzerland — "Elementary," the world-famous detective would have drawn: Once Sherlock Holmes survived that death struggle with Professor Moriarty, he became indestructible. Though he longed to, not even Sir Arthur Conan Doyle, his creator, was able to get rid of Holmes.

The mistake most of his fans make is to search for him in the heart of London or even in Sussex, where he was said to have retired as a bee-keeper. The truth is that his digs are now in this Swiss village, between Lausanne and Bern. In the vaulted cellar of the castle towering above Lucens is the Baker Street sitting room described in Conan Doyle's 60 short stories and 4 novels about Sherlock Holmes's adventures.

At first glance, the visitor may deduce that Holmes and Dr. Watson have suddenly been called out on a case: The rose-gilded oil lamp is still lit, a silver tea service is on the table, two empty cups have been left by the gas fireplace. Papers are strewn about — The Police Gazette, The Strand, The London News as well as a few sheets of music. The detective may have assumed some disguise: A deerstalker's cap and a long tweed coat, a top hat and an evening cloak hang beside a dingy white smock against the red damask wall.

A bust of the detective, seen placed by the window. The shadow cast on the drawn blind may fool some outside observer into thinking that the detective is still sitting in his overstuffed chair "an old briar pipe between his lips, his eye fixed vacantly upon the corner of the ceiling, the blue smoke curling up from him, silent motionless, with the light shining upon his strong-set, aquiline features," as Conan Doyle described him.

The furnishings are vintage Victorian — heavy drapes, oriental shawls, cane-back chairs and a horseshoe sofa. The paucity of art on one side of the fireplace includes a breaching-horn revolver for indoor practice and a small Webley pistol for serious use. On the mantel are a litter of pipes, tobacco pouches, syringes, penknives, revolver cartridges and other debris.

A sideboard holds crystal decanters and a siphon; a workbench is fitted with test tubes and bottles like a small chemistry lab. Bookshelves hold reference books and gray cloth binders. On the flat-topped kneehole desk are a large scribbler, a magnifying glass and a curved cherry-wood pipe. Since Mrs. Hudson, Holmes's landlady would not even consider leaving England, some Swiss women keep the clutter regularly dusted.

After all, the room must be ready to receive 10,000 visitors a year from all over the world, many from the 22 Sherlock Holmes societies — "Baker Street Irregulars" — in Japan, London, Denmark and most major U.S. cities. What the Swiss women don't particularly care for are the glass cabinets filled with blood-stained daggers and pistols, pickled snakes, butcher's cleavers, "life preserver" truncheons,

severed human ears and other gruesome clues Holmes kept as souvenirs from famous cases.

One bottle is labeled "genuine London fog, certified by a lost passerby." "As if we didn't have perfectly good fogs here in the Broye valley," sniffs one of the Swiss cleaning women. But it is the sort of meticulous detail that delighted the man behind this room. Whatever the probable fiscal reasons that brought the youngest son of Conan Doyle to seek a Swiss pied-a-terre, Adrian had certainly inherited his father's sense of humor, love of history and pride of lineage.

Lucens's stark 13th-century dungeon, built to defend Moudon and Lausanne from northern attacks, seems straight out of his father's medieval romances. The turreted wing added in the 16th century as a summer residence for worldly warrior bishops was perfect to display the Doyle family paintings and suits of armor. On the enormous hood of the fireplace in the main hall Adrian Conan Doyle painted the escutcheons of the ancient Scots family.

After Adrian's death in 1970, his widow, Anna, no longer wanted to live here. A friend of Adrian's prep school days, Francois Lugnon, now the vice chairman of the Conan Doyle Foundation, put the castle on the market to settle the debts of a long and costly restoration. One condition of the sale to a Swiss antique gallery was the right to continue the Sherlock Holmes Museum.

In one of the showcases is the evidence that Arthur Conan Doyle became weary of the striking character who won him so many readers. Letter after letter to his mother in his precise handwriting reveals he was tired of inventing tricky plots. During a trip to Switzerland, the Reichenbach Falls seemed to provide a worthy tomb "even if I buried my bank account with him." On April 6, 1893, he gleefully wrote that he was in the middle of the last Holmes story, "after which the gentleman vanishes, never, never to return."

Conan Doyle wanted to go on to what he regarded as better things. He needed time to research his historical novels about medieval bowmen, Puritans and Napoleonic soldiers. Himself larger than life, Conan Doyle became involved with public affairs or worthy causes. He ran unsuccessfully for Parliament, used Holmesian methods to investigate two judicial errors, took a stand on such issues as Congo Reform, the Channel Tunnel or metal helmets for soldiers. He broke away from a cruise on the Nile to cover Kitchener's Sudan campaign as an unpaid correspondent, invented an inflatable life preserver, served in a field hospital during the Boer War and captained a Home Guard-type outfit in World War I. After severe family losses during the war, Conan Doyle spent the last 10 years of his life traveling all over the world to lecture without pay about psychic research to audiences estimated at more than a quarter-million people.

But no matter what his other interests, he was stuck with Sherlock Holmes, whose disappearance raised public outcry. Young men went to their City offices with mourning bands on their hats. Reluctantly, Conan Doyle brought him back in "The Hound of the Bask-

ervilles," a "real creeper." This was still a pre-Moriarty tale; it was not until "The Return" that Holmes was officially revived. Conan Doyle may have hated to admit how much he owed the detective.

Several of the adventures were set or written in Switzerland, where Conan Doyle had come to Davos for his wife's health. A hurly fellow standing 6 feet 2 inches, Conan Doyle was an all-round athlete: a first-class boxer and runner and cricket player. Newfangled skiing presented a challenge. To the hilarious tourists watching his game efforts and spills on the slopes above the hotel, he enthusiastically predicted that someday people would come to the Alps to ski.

Then, with two Davos guides, he planned the first ski tour over the mountain pass to Arosa. Seeing the clumsy wooden skis now in the Lucens museum, one wonders how he even dared to cross over narrow ledges, along precipices, on an untracked route that few would attempt today, even well-equipped. But he made it, gliding down the last steep stretch on the seat of his Harris tweeds. The guides applauded and Davos, still a ski capital, remembers that exploit.

The Conan Doyle Foundation has initiated an even more fitting tribute to the man who invented for Sherlock Holmes methods of observation and deduction that preceded similar police systems by a few years. At the suggestion of Francois Lugnon and with the enthusiastic support of two Scotland Yard commissioners, Sir Robert Mark and John Wilson, the Conan Doyle Foundation has funded the exchange of Vaudois and London policemen in the last years.

Two Vaudois policemen are admitted to the cryptology, drug research and crime investigation labs in New Scotland Yard. Similarly, two bobbies come over each year to observe Swiss methods of organization, freeway traffic, drug and delinquency control. It has led to some unusual situations that would have appealed to Conan Doyle: A Vaudois policeman in his navy gray uniform directed London traffic during a recent marathon; another was on the spot to take photographs last year when the Queen was shot at on the Mall.

Meanwhile, the conservative Swiss police were shocked at the sight of their first English trainee; the policeman was a woman. (Since then, she has had 100 bobbies under her order.) English police football teams have come to play matches in Switzerland and Wilson, now retired as commissioner, feels "It was unfortunate we beat their national team. Still this sort of friendly contact has tightened up our police work. We now know who the man is at the other end of the phone. It speeds up confidential information."

It's an unexpected dividend from that clever old connection who seems alive and well in Switzerland.

Chateau de Lucens and the Sherlock Holmes Museum are a half-hour drive from Lausanne on the old road to Moudon and Bern. Closed on Mondays. Open April through October: 10 A.M. to 6 P.M.; November to Dec. 15 and all March: 10 A.M. to 5 P.M.

Peru Acts to Save the Ruins of Chan Chan

by Kevin Dunn

TRUJILLO, Peru — The Peruvian government is planning emergency measures to save the ancient mud city of Chan Chan, one of South America's major tourist attractions, from crumbling.

The ruined city, which occupies a 20-square-kilometer site outside the northern coastal town, has been neglected for decades. For even longer it has been buffeted by ocean winds, attacked by grave robbers and despoiled by vandals. "Chan Chan has become a big rubbish dump," the daily newspaper El Comercio complained in an editorial.

The city, believed to be the largest ever built of adobe bricks, dates from the 13th century, when northern Peru and its Indians were dominated by the Chimu culture. Built on the dry desert coast during 300 years, the city comprises 10 citadels that served as palaces of

Chimu rulers. Anthropologists believe each ruler built his own palace and sealed his predecessor's as a giant monument to his reign.

The city was overrun by the warlike Incas in the 15th century, long before South America was conquered by Spain. Since then, Chan Chan has suffered the ravages of time and weather, and little of the Chimu's distinctive architecture and artistry remains visible. Apart from a partly restored citadel, humps and hollows are all that indicate the site once served as the capital of a kingdom and bustled with 100,000 inhabitants.

Sections of the mud brick walls that have been uncovered to display elaborate carving have been misinterpreted by both the elements and man. "The ruins have been affected by the strong sea breezes, which erode the structures. But what is worse is the damage done by man," says Ricardo Morales of the National Institute of Culture.

Although some sections have been treated with a fluid that is injected into the walls and acts as a cement, restoration work has been paralyzed for several years because of a lack of funds. Now, however, the government has awarded Chan Chan top priority in a program to restore archaeological discoveries. The National Institute of Culture has assigned 50 million soles (\$65,000) for the work.

The program coordinator, Roberto Santander, says the first task will be to mark out the site and screen it with trees to provide shelter from the sea breezes. Restoration will be resumed and the site will have permanent watchmen.

Santander hopes eventually to restore more of the city's hurried enclosures. "Tragically, it has been preferable to leave some finely decorated sections underground where they are safe," he says.

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Under the Gaze of the Evil Eye

by Debra Weiner

CAIRO — The young secretary at the bar in Cairo's El Salam Hotel lowers her voice to a whisper when she speaks of the Evil Eye.

Her friend, an airline stewardess, gave it to her twice. On the first occasion, the friend complimented her purse. Soon after, its zipper broke. The next time, she eyed her new shoes. Within minutes, the heels fell off.

"And it's not only to me," the secretary confides. "Not long ago, I was babysitting my nephew. This girl came over and started playing with him. What happened? Soon as she left the baby got sick."

"So I've asked her never to compliment my family or me again," she continues. "My, uh, friend insists she did nothing; that she was just being nice. But that's just it. A person may be good, but their eye is bad."

The Evil Eye or *Hassad* as it is known in Arabic, lurks worldwide. Most Westerners, however, are unaware of its power or choose to ignore it. When bad luck strikes, they blame chance or coincidence. Egyptians, on the other hand, know *Hassad* well — as a formidable force that can harm the one looked at. Like vicious Mr. Hyde, dormant inside good Dr. Jekyll, the Evil Eye slumbers until roused by desire or envy.

As might be expected, the beautiful, the successful, the content are frequent victims. But the evil eye penetrates all class boundaries. The baker whose bread burns; the farmer whose healthy chicks suddenly sicken and die; the happily married woman who is felled by a stroke — all had some thing or quality that someone else coveted. Food and other inanimate objects are also vulnerable to *Hassad* — a U.S. Embassy chauffeur tells of the communal bakery in his hometown in Upper Egypt that switched to night hours to avoid the glance of one disreputable woman.

"We are the only people in the world who, after we laugh, say 'God protect us,'" says Dr. Ali Hassan, professor of Egyptology at the American University in Cairo.

"It's not that Egyptians are obsessed with *Hassad*," adds a student, Mervat Abou-Of. "But because it is written in the Koran that *Hassad* exists, it is very powerful."

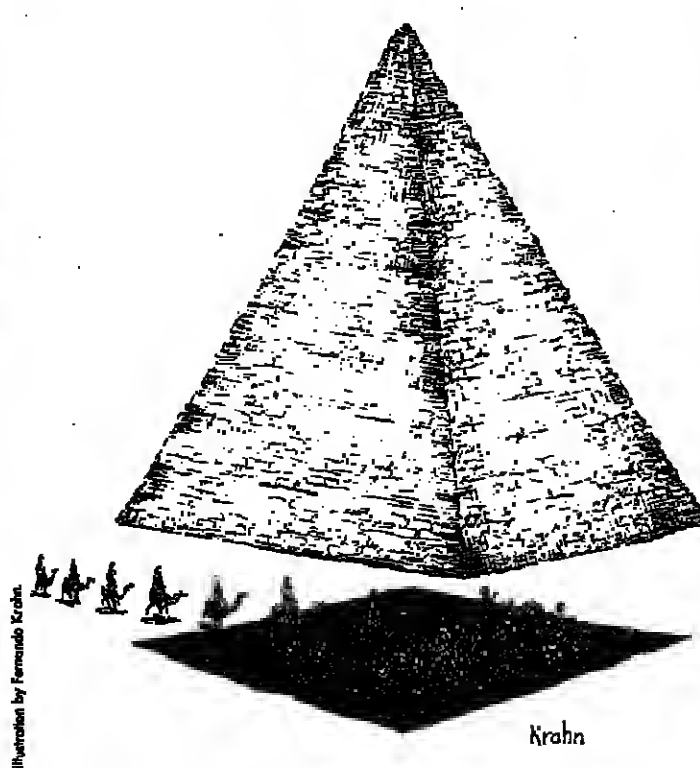
Recently Mervat conducted an extensive study of *Hassad*. About 80 percent of all Egyptians, she figures, are *Hassad* fundamentalists. The rest, who include Farouk El-Okdah, professor of accounting at the Wharton School in Philadelphia, "try to deny, not to believe. It is the only way to live with it," he explains. "As a good Moslem, you have to believe in the Koran, every word of it."

Faith in *Hassad*, however, is not restricted to Moslems. The Evil Eye is also mentioned in the Old and New Testaments, and according to Dr. Hassan, has existed in Egypt for more than 5,000 years. Statuettes bearing anti-evil eye designs have been found in several pre-dynastic tombs.

Nowadays many Egyptians wear an almond-shaped Housh eye charm (the kindly falcon-headed sun god Horus lost the eye in his struggle against the evil god Seth) or a turquoise stone, as safeguards against *Hassad*. Since even the dead cannot evade the Evil Eye, often these amulets are put inside graves.

Other precautions can be taken as well. Repeating a passage from the Koran is the most popular. Just as some people "knock on wood" to stave off misfortune, Moslems say, "May God protect us from the Evil Eye" when they envy. Another topical remedy is to point with the baby and index fingers, or to gesture with the palm wide open.

Many Sudanese mothers conceal their babies in a thick dark cloth. Babies from Aswan are often disguised with black kohl. The upper classes employ more subtle confusion tactics. One of the wealthiest Coptic



families in Cairo, for example, insist to all who will listen that their beautiful children look like monkeys. Many families in poor neighborhoods employ an ancient practice to persuade the Evil Eye to pass over their homes: Using sheep blood, they make several red handprints above their doors.

Some people insist that blue- or green-eyed people should be avoided. Mervat, who happens to have gray-green eyes, dismisses this notion. Most evil-eyed persons, she insists, show no visible markings. The most effective safeguard, she says, is simply to avoid attracting attention. This can be accomplished by over-expressing happiness or pleasure when in front of a miserable person, always being secretive about good news and never divulging plans.

"Unfortunately," Mervat says, "none of these precautions are 100 percent foolproof." The sad fact is that most people can expect to get *Hassad* at least several times in their lives.

Hilda and her husband sit beneath a pink flame tree at Merryland Gardens in Heliopolis, one of Cairo's fashionable suburbs. "I don't know for certain," she begins, "but I think we have *Hassad*." Several Christian priests have visited her home. They sprinkled special oils and intoned special prayers. "But still," she says, "one thing after another keeps on happening. Now," she says with a sigh, pointing at her husband's plaster cast, "it's in his foot. Perhaps, we are giving *Hassad* to ourselves."

And that, believes Mervat — that you can "eye" even yourself — is the worst aspect of it. "In theory, every person is born with the Evil Eye, and either you control it or develop it," Mervat hesitates a moment. "I suppose," she continues at last, "you could say the Evil Eye is the manifestation of the struggle, in every human being, between good and evil."

Marriage and Office Attitudes

by Enid Nemy

NEW YORK — Do male executives change their attitude toward female colleagues who marry? Many men deny it, but in the United States a number of female executives who have married in midcareer say they have noticed a difference once the men they work with know that, no matter what designation they use in the office, they are "Mrs." rather than "Miss" in their private lives.

For the most part, the women say, the change is so subtle it's almost imperceptible; only occasionally is it more obvious. But either way it's a surprise to them.

"Apparently, a lot of men, especially men older than you, start wondering what's wrong with you if you're unmarried after you've reached a certain age," a female executive says. "Theoretically, they know that many women are single through choice, and that can make them slightly uncomfortable, but emotionally many of them still believe that you would have been married if you could, so what's wrong with you?"

Ann Sutherland, vice president and publisher of *Cuisine Magazine*, is one who was surprised at the difference in attitude after she was married six months ago. "I didn't expect it," she says. "But it's there."

"I think if you're married, you tend to be taken as more stable," she continues. "Male

co-workers sense a commonality of lifestyle, and there is an acceptance level."

She believes that her relationship with male colleagues is more relaxed since her marriage, possibly because she is more relaxed and comfortable, and possibly because "there is now proof that I'm liberated not as a man but as a woman."

Sutherland says she had always kept her private life very private but that marriage somehow provided her co-workers with "real proof of a very full life."

Before Jacquelyn Mayfield was married two years ago she perceived herself as a career woman with a "rather interesting, wonderful life."

"It was a real shock to me to find out, after I was married, that that wasn't the way some of my male colleagues saw me," she says. "Several men came over and said, 'Gee, you're such a nice girl, and we always wondered why you weren't married.' I had been having a wonderful time and I hadn't realized this was going on in their minds."

Mayfield, who is international client coordinator in corporate public relations at Mobil Oil Corp., has also found that business meetings have become much more relaxed. "The boy-girl dynamic is not going on," she says. "But I only became aware of the change after marriage."

"The fact of the matter," adds a woman who was married last year, "is that for the first time, I'm now looked on as a colleague rather than as a woman. I've encountered any harassment or discrimination because of my

sex, but I think there was always that little bit of speculation in the minds of my colleagues as to what was going on in my private life."

"Now there's no need to speculate or wonder," she feels. "My status is settled in their minds. It makes a difference."

"Some married men view single women as having a life of fun and parties and few responsibilities," says Patricia Kerman-Lerner, who was married three years ago. "I think before I was married, the vision of me was somehow one of those swinging-single types who was off every weekend to some posh place."

Kerman-Lerner, who is chief of speech pathology and audiology service at Goldwater Memorial Hospital on Roosevelt Island, says that although she has changed little since her marriage, she thinks she is now viewed "less as a frivolous girl and more as a professional."

"My perception is that the attitude of the hospital administration, which is mostly male, changed when I married," she says. "It wasn't a huge change, it was subtle, but I could sense it. I wasn't a swinging-single type and didn't go off for posh weekends when I was single. I was studying for my doctorate in speech pathology and stayed home reading papers a lot of nights, but I wasn't seen as serious."

There was a further change in attitude after she had a baby last November, she notes.

"The administrators can relate to me as a family person now, one who shares a common set of responsibilities. I think now I'm viewed more as a person of substance."

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In Amsterdam, a Prison for Artists

by Roland de Ligny

AMSTERDAM — A new center for the arts is thriving inside a 19th-century jail where, during the German occupation of the Netherlands in World War II, scores of Dutchmen spent their last hours before facing firing squads. The building, in central Amsterdam, was also a transit point for many of the 70,000 Dutch Jews deported to concentration camps.

Now the 150 cells in the 134-year-old prison have been whitewashed and rented as studios. The new "inmates" include painters, sculptors, writers, an opera singer, a guitar maker and even a clown who sometimes uses one of the old exercise cages to stable his donkey.

When the jail closed four years ago, it was scheduled for demolition. The city planned to erect a mammoth glass-and-concrete complex in its place, including a hotel, about 100 apartments and a 450-car parking garage.

But the grand design was not consistent with

city planning, which favored small-scale projects. When news of the project reached the public, a group formed to oppose it.

Amsterdam city officials, mindful of violent opposition in 1975 to construction of the city's subway, yielded to the group of residents and shopowners in the Leidseplein area. The officials decided in 1979 that the long-range future of the site would be settled in consultation with citizens.

Meanwhile, in line with traditional Dutch support for the arts, the city agreed to lease the cells temporarily to artists and craftsmen.

Dick Huismans, a 35-year-old painter-poet, was the first to move in. "When I entered the cell for the first time, it was a very depressing place, messy, dark and humid," Huismans recalls. "But after cleaning it up and painting the walls white, I realized it was the best studio I had ever had."

"It's the ideal place for an artist: quiet, secluded, cool and the light is just about right."

Marja Vennik, manager of the complex, said that nearly all the 4-meter-by-2-meter (13-by-6½-foot) cells are now leased for 50 guilders (\$20) a month by the city. "Incredibly cheap," Vennik comments. "There's nowhere else an artist could find a rehearsal room or studio for so little money." There are no strict rules on qualifying for vacant cells. "Almost everyone is welcome as long as they're not too commercial," Vennik explains.

Despite the prison's carefree atmosphere, one rule is strictly enforced: No cells are leased to neo-fascist groups. "We respect the sad history of the building," Vennik explains.

One of the wartime inmates was Gerrit-Jan van der Veen, a sculptor who was executed by the Germans in 1944 because of his activities with the Resistance. "It gives you the idea that you're responsible for preserving his heritage," says Vennik, who is writing a series of poems about Van der Veen's last days in a prison cell now filled with color and music.

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Taiwan Awakens

Continued from page 7W

view as silly or superstitious," says Wu, an affable woman who speaks English, Mandarin, Cantonese and a smattering of Spanish.

For example, Chinese folk lore says that drinking ice water will upset the body's system, causing severe diarrhea and other ailments. This belief dates back centuries, when the Chinese would take ice from frozen riverside, preserving huge blocks of it in the ground. With the arrival of warmer weather, the ice would be dug up and placed around flasks of sour plum juice to cool it. "But of course, if you actually drank the ice water itself, you'd get sick," says Wu. "Once the reason for such taboos are widely understood, they don't sound like a lot of mumbo jumbo."

During the seven years it was published, *Echo* achieved a circulation of 20,000 with subscribers in 33 countries "including 2 in the Soviet Union," Wu says proudly. It also became the inflight magazine for China Airlines, Taiwan's flagship carrier.

Eventually, however, Wu discovered that the stories *Echo* detailed for foreigners were new to Chinese as well. In 1978, *Echo* changed from an English-language monthly to a Chinese-language quarterly called *Han Sheng*, or The Voice of the Han People, another name for the people of China. Priced at 150 Taiwan dollars, it is now sold through Taiwan.

Each issue, with its glossy pages and color photographs, is built around a theme, which

can range from religion to rice. A recent issue devoted to historical artifacts began with a discussion of the tools of Peking Man and concluded with a tour of Taipei's National Palace Museum.

Although each issue has an initial printing of 20,000 copies, more are issued when demand is sufficient. An issue devoted to Chinese children's games has so far sold 105,000 copies, and sales are still coming. Wu would like to resume publication of the English-language version, but so far the company has lacked both the time and the capital. Despite the appeal of *Han Sheng*, the company must dabble in other commercial products to stay in the black.

The entire venture had a modest beginning. With just under \$900, Wu set up shop in her own apartment 12 years ago. "My son's bedroom became the editorial office, the bathroom was made into a darkroom and the living room was the circulation headquarters," she recalls. "And I had a husband who could support the family while I began this." She is now divorced.

Wu, born to Chinese parents living in New York, was raised in Shanghai and Taipei, attended college in Ohio and spent a year in Britain on a Fulbright scholarship, followed by a stint working for the Reader's Digest. She returned to Taiwan when she married, and worked for the two English-language newspa-

pers based here. Eventually she wanted to do something else, "and I had run out of newspapers here," she says. Someone suggested that she start a magazine.

Wu now presides over a 40-member staff based in two tiny apartments in a modest Taipei residential district, producing the magazine, the "Chinese Children's Stories" series and several other books on Chinese culture, including a volume on the dying art of Chinese knotting. The office is friendly and informal. A visitor is greeted by a barking dog, and at noon lunch is prepared for the staff, who sit at their desks eating.

What is Linda Wu's prognosis for the flourishing of Chinese culture on Taiwan? She sounds both enthusiastic and optimistic. "People are now much more conscious of the fact that they have a fantastic culture than they were a decade ago," she says. There's a prevailing belief that the country can and should build its culture in the spirit of the China of old, adjusted for modern life, she adds.

Wu is pleasantly surprised at the reception accorded her family of publications, particularly the "Chinese Children's Stories." "Even though it's for kids, a lot of adults are reading it," she says. When the first volume was printed, the printing plant workers were found to be putting sample sheets, stashing them in corners and poring over them on their breaks.

Thursday's NYSE Closing Prices

Tables include the nationwide prices up to the closing on Wall Street.

12 Month High Low Stock Div. Yld. P/E 100s High Low Open Close										12 Month High Low Stock Div. Yld. P/E 100s High Low Open Close										12 Month High Low Stock Div. Yld. P/E 100s High Low Open Close														
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27 1/2	104	97 1/2	SPY		1.16			104	97 1/2	104	97 1/2	34 1/2	104	97 1/2	SPY		1.16		104	97 1/2	104	97 1/2	34 1/2	104	97 1/2	SPY		1.16		104	97 1/2	104	97 1/2	34 1/2
27 1/2	104	97 1/2	SPY		1.16			104	97 1/2	104	97 1/2	34 1/2	104	97 1/2	SPY		1.16		104	97 1/2	104	97 1/2	34 1/2	104	97 1/2	SPY		1.16		104	97 1/2	104	97 1/2	34 1/2
27 1/2	104	97 1/2	SPY		1.16			104	97 1/2	104	97 1/2	34 1/2	104	97 1/2	SPY		1.16		104	97 1/2	104	97 1/2	34 1/2	104	97 1/2	SPY		1.16		104	97 1/2	104	97 1/2	34 1/2
27 1/2	104	97 1/2	SPY		1.16			104	97 1/2	104	97 1/2	34 1/2	104	97 1/2	SPY		1.16		104	97 1/2	104	97 1/2	34 1/2	104	97 1/2	SPY		1.16		104	97 1/2	104	97 1/2	34 1/2
27 1/2	104	97 1/2	SPY		1.16			104	97 1/2	104	97 1/2	34 1/2	104	97 1/2	SPY		1.16		104	97 1/2	104	97 1/2	34 1/2	104	97 1/2	SPY		1.16		104	97 1/2	104	97 1/2	34 1/2
27 1/2	104	97 1/2	SPY		1.16			104	97 1/2	104	97 1/2	34 1/2	104	97 1/2	SPY		1.16		104	97 1/2	104	97 1/2	34 1/2	104	97 1/2	SPY		1.16		104	97 1/2	104	97 1/2	34 1/2
27 1/2	104	97 1/2	SPY		1.16			104	97 1/2	104	97 1/2	34 1/2	104	97 1/2	SPY		1.16		104	97 1/2	104	97 1/2	34 1/2	104	97 1/2	SPY		1.16		104	97 1/2	104	97 1/2	34 1/2
27 1/2	104	97 1/2	SPY		1.16			104	97 1/2	104	97 1/2	34 1/2	104	97 1/2	SPY		1.16		104	97 1/2														

FRIDAY, SEPTEMBER 17, 1982

BUSINESS PEOPLE

Montagu Starts Ship Financing Unit

The slump in the shipping industry seemed reason enough for Samuel Montagu & Co. to establish a new ship financing unit in London. "What better time is there?" a company spokesman asked.

Malcolm F.G. Savage, who, along with Tore J. Hegge, has been named a managing director of Samuel Montagu Shipping Finance Ltd., said: "In terms of ship financing there is a constant need for new finance, especially when the industry is in a slump. During slack times, shipowners are often forced to sell vessels to make ends meet, he said. These can be bought for a fraction of their value, and helping to finance such purchases will be one of the services offered by the new unit, Mr. Savage said.



Malcolm F.G. Savage

The company said Mr. Savage and Mr. Hegge will be responsible for the "development of business worldwide within the shipping and ship-related industries." This will include the financing of ships, oil rigs and support vessels in addition to the other services provided by the Samuel Montagu group, which is involved in merchant banking.

Before joining Samuel Montagu Shipping Finance, Mr. Hegge headed the shipping department at Hambros Bank in London. Mr. Savage, who is a vice president and manager in the Bermuda head office of Oesae Finance Corp., will join Montagu on Oct. 4.

Thomson Reorganizes Its Divisions

The Thomson group has reorganized the divisions and subsidiaries of Thomson-CSF and Thomson-Brandt into six branches.

Named executive vice presidents of Thomson-CSF's branches were Alain Bouquie, detection equipment and electronic systems; Jacques Demon, communications; Henri Starck, electronic parts, and Jacques Fauriol, medical equipment.

At Thomson-Brandt the consumer products branch will be headed by Jacques Fayard. The head of the industrial and engineering branch of Thomson-Brandt has not been named yet.

Other Appointments

Masahide Yamamoto has been named general manager of the Brussels branch of Tokyo-Mitsubishi Bank Ltd. Mr. Yamamoto, previously deputy general manager of the bank's Los Angeles branch, succeeds Kazuya Nakamura, who was named deputy general manager of the international department in the bank's Tokyo office.

Small & Medium Industry Bank has opened a representative office in London headed by Tai-Gil Yu. He was previously in the Seoul head office as general manager of the planning department.

Caris Reid has been named managing director of National Semiconductor Australia, a Sydney unit of National Semiconductor Corp. of Santa Clara, California. He succeeds Jack Rutherford, who left the company. Mr. Reid was formerly general manager of Jackson Securities Ltd. in Sydney.

Amsterdam-Rotterdam Bank N.V. plans to open a merchant banking unit in Singapore. The unit, Amro Bank (Asia) Ltd., is to be headed by R.H. Baron de Vos van Steenwijk, the bank's regional manager for Southern Asia and general manager of the Singapore branch.

David Colman has been appointed to the board of British Caledonian Airways as marketing director. On Jan. 1, he will succeed Gordon Davidson. Mr. Colman is now the airline's deputy marketing director.

Henry M. Matthews has been appointed managing director of Texaco Ltd., London-based unit of the U.S. oil and gas company. Mr. Matthews, who was previously based in New York as vice president for manufacturing and marketing in the Texaco Europe division, succeeds Thomas E. Cottrell, who has retired.

Morgan Guaranty Trust Co. of New York has named Regnier Hagelstein head of its Antwerp office. He succeeds Gunter L. Reich, who has been named head of corporate banking in Frankfurt for the bank's German offices. Mr. Hagelstein was previously on the bank's Bendix desk in New York.

Tokio Reinsurance Co., a subsidiary of Tokyo-based Tokio Marine & Fire Insurance Co., plans to open a London office in October. The general manager of the unit is to be Harley M. Patrick, previously deputy general manager of Mercantile & General Reinsurance Co.

Charles Bigot has been appointed general director of ArianeSpace Co., the French-dominated consortium of major European aerospace companies and private banks responsible for financing, building, launching and marketing the Ariane spacecraft. Mr. Bigot was formerly marketing director of ArianeSpace's space and ballistic systems division.

Matthewson B. Green has joined Russell Reynolds Associates Inc.'s London office as a vice president in the Middle East department. Before joining the executive recruiting concern, Mr. Green was a consultant with Energy Marketing Services in London.

James G. Lowenstein and Michael E. Sterner have joined International Relations Consultants Inc. in Washington as partners and managing directors. Mr. Lowenstein was formerly the U.S. ambassador to Luxembourg and principal deputy assistant secretary of state for European affairs. Mr. Sterner was the U.S. ambassador to the United Arab Emirates and deputy assistant secretary of state for Near Eastern and South Asian affairs.

Banque de Syrie & du Liban (Europe) in Paris has named Michel Valentin-Smitz general manager, filling a vacancy. Mr. Valentin-Smitz was formerly assistant general manager of Banque Byblos France.

—BRENDA HAGERTY

Swiss Aides Cautioned Citibank

Washington Post Service

WASHINGTON — Citibank apparently came close to losing its license to operate in Switzerland because of questionable foreign currency transactions, according to documents from the bank and the Securities and Exchange Commission obtained by a House subcommittee holding hearings on the SEC and Citicorp, the bank's holding company.

The House Energy and Commerce subcommittee on oversight and investigations is investigating the Citicorp transactions and the decision of the SEC to ignore a staff recommendation to take action against the bank. The hearings, which opened Monday, are to resume Friday.

In February 1980, the Swiss Federal Banking Commission informed Citibank's Zurich office that, during an investigation, "considerable irregularities" had come to light. It said transactions criticized in a letter from the Swiss National Bank were "especially objectionable." The letter said the bank had made the investigation difficult because critical dates had been left off trading tickets, along with other vital information.

The Swiss told Citibank that one of the conditions for permission to do banking in Switzerland was "an administrative organization capable of supervising the business. As evidenced by the serious deficiencies in your conduct of trading, that pre-condition was not met by your branch during the years 1973-1977. . . . We disapprove of your past conduct in the strongest terms."

The Swiss acknowledged that the bank had taken corrective action that "spared you from administrative measures on our part." But, the bank was warned, only because the statute of limitations had elapsed on many of the misdeeds and some of the laws violated had been repealed. "has the National Bank abandoned its intent to have the Federal Banking Commission apply for the withdrawal of your business permit," the Swiss fined the bank several million dollars.

Internal Citibank documents show that, as much as five years before the warnings from the Swiss, top overseas management of the bank was aware of problems that could occur if the bank's activities were exposed.

Leaders in Europe's Computer Market

Company	European data processing sales	Parent company headquarters
IBM	\$8,846	United States
Ch-Honeywell Bull	1,311	France
Siemens	1,296	West Germany
Digital Equipment	1,162	United States
ICL	1,067	Britain
Olivetti	1,006	Italy
Sperry Univac	850	United States
Control Data	766	United States
Philips	750	Netherlands
Burroughs	742	United States

Sources: Datamation and Logica Ltd.

Coating silicon wafers for large-scale integrated circuits at an ICL plant in Manchester.

The 'Buy British' Computer Clash

Americans Charge Unfair Preference by Local Agencies

By Steven Rattner

New York Times Service

LONDON — A major dispute has broken out between U.S. computer companies and British officials. The Americans charge that unfair preference is frequently given to British companies in sales to public agencies.

The dispute has centered on Britain's national government but on the myriad local governmental agencies that have been buying large quantities of computing equipment as part of an effort to modernize Britain.

Although many of the lost contracts are not big enough to be of major significance to such giants as IBM, the dispute illustrates the ways in which subtle and sometimes not so subtle — barriers can impede free trade as effectively as overt barriers.



The New York Times

"There has been a long tradition of support in this way for British-owned companies like ICL," said an IBM executive who asked not to be identified. ICL, Britain's biggest computer maker, has endured repeated financial crises.

U.S. companies seem to have less trouble dealing with the national government. The British Treasury, for example, recently invited IBM and Honeywell to discuss supplying a mainframe computer to Britain's Driver and Vehicle Licensing Center. The order may be worth \$9 million to \$10 million, according to Britons in the computer industry. ICL decided not to bid on the project, they said, because its Esiel computer system will not be ready until 1985.

Regional agencies in Britain, however, have stirred loud protests from the Americans. This summer IBM

(Continued on Page 13, Col. 4)

U.S. Factory Use Hits 7 1/2-Year Low

Compiled by Our Staff From Dispatches

WASHINGTON — U.S. factories operated at their lowest rate in seven and a half years during August, the Federal Reserve Board reported Thursday. The Commerce Department, meanwhile, said the nation recorded a \$2.06-billion current account surplus during the second quarter.

The surplus was nearly double the \$1.09-billion surplus for the first quarter and the largest since the \$3.2-billion surplus of the first quarter of 1981. The current account measures the value of the flow of goods, services and financial transactions in and out of the United States. There was a \$927-million deficit in the final quarter of 1981, but a \$4.5-billion surplus for the year.

The Federal Reserve Board said factory use by U.S. manufacturers declined to 69.4 percent in August, seasonally adjusted, down one-half percentage point from revised July figures and the 11th decline in 13 months. It was the lowest operating rate since the post-World War II low of 69 percent reached in March 1975 during a severe recession. The August rate was down from 79.6 percent a year earlier.

The report on factory operating rates followed by a day the Fed's report that industrial production dropped 0.5 percent in August, also the 11th drop in 13 months.

The Fed said in its factory ca-

capacity report that the auto industry was especially hard hit. It dropped to an operating rate of 56.8 percent in August, a 4.5-point erosion in one month. The auto-makers' low point of the year was an operating rate of 43.7 percent in January.

Among major industries, only textiles and paper mills saw improvement during August. The oil and metals industries saw production drop.

The more volatile category of industrial materials, which includes some mining and utility operating rates, dropped to a record low operating rate of 68.5 percent in August, the Fed said. The March 1975 recession low was 69.4 percent.

The increase in the current account surplus in second quarter was accounted for primarily by an increase of service receipts, to \$9.58 billion from \$9.01 billion in the first quarter. Receipts of income on U.S. portfolio investment abroad increased by \$1.7 billion, to \$1.58 billion, reflecting high interest rates and large increases in U.S. bank claims in recent quarters.

Receipts and payments of income on direct investment each increased slightly but remained depressed because of weak economic conditions at home and abroad. The merchandise trade deficit shrank to \$5.78 billion from \$5.87 billion in first quarter.

Court Ruling Leaves Bendix Free to Buy Marietta Shares

United Press International

NEW YORK — A judicial victory Thursday left Bendix free to start buying a controlling interest in Marietta on Friday, but Bendix remained silent on its plans.

A U.S. District Court judge in Baltimore denied Marietta's request for a preliminary injunction against Bendix's \$1.7-billion takeover bid, which Marietta charged was in violation of U.S. securities laws. Marietta said it would appeal the decision to the U.S. Court of Appeals for the Fourth Circuit in Richmond, Va.

Barring an last-minute court order, Bendix — which started the takeover battle now involving United Technologies as well — could start buying Marietta shares after midnight Thursday, the deadline for Marietta share-

holders who sent in tenders to Bendix to withdraw.

Wall Street remained uncertain whether William M. Agee, Bendix's chairman, was willing to proceed, since Marietta insists that it will go ahead with its \$1.5-billion counteroffer for Bendix even if Bendix buys control of Marietta. Marietta will not be free to buy Bendix shares until after midnight Wednesday.

In another development Thursday, a state chancery court judge in Wilmington, Delaware, said he would decide Monday whether to grant Marietta's request for a preliminary injunction to delay Bendix's special stockholder meeting Tuesday. The stockholders are to vote on two corporate charter amendments designed to protect against unwelcome takeovers.

According to the latest tallies announced by the companies, the Bendix offer has attracted tenders for 58 percent of Marietta's shares and Marietta's offer has brought tenders for 75 percent of Bendix's shares.

United Technologies meanwhile has offered as much as \$1.6 billion to acquire Bendix and divide its assets with Marietta.

Bendix has not responded to United's latest offer for a peaceful settlement. United's Chairman, Harry J. Gray, said United would tender its \$75-a-share offer for Bendix to \$5 if a friendly merger agreement could be reached. United's bid for Bendix is still under antitrust review.

United Technologies' proposal to increase its offer for Bendix is viewed as an 11th-hour effort to head off a situation in which Bendix would buy control of Marietta and vice versa, touching off what many on both sides acknowledge would be, in the words of one, "a real mess."

Some professionals said that if this happened, United Technologies might then try to take over both, or perhaps wait for a more propitious time and try again to arrange a friendly deal.

One leading Wall Street professional speculated that Mr. Gray, who will be 63 in November, could be so eager to land Bendix that he might be willing to make a deal with Mr. Agee, 44, for the latter to become an important executive in United Technologies and possibly its head once Mr. Gray steps down.

In a related development, Marietta has sued Bendix and Citibank in U.S. court in Manhattan, contending that Bendix, with Citibank's cooperation, deprived about 15,000 Bendix employees in a company stock plan of an opportunity to tender their stock to Marietta at \$75 a share.

Bendix had previously told the employees, who own about 4.6 million shares, or 23 percent of Bendix's shares outstanding, that they could not withdraw the stock from the plan until Sept. 30, too late for them to be sent to Marietta.

Bendix subsequently revised the rules so that individual employees could ask Citibank, as trustee for the employee stock plan, to tender their shares.

French Franc Is Firm Against Dollar, Mark

Compiled by Our Staff From Dispatches

PARIS — The franc was firm against the dollar and the Deutsche mark Thursday.

Analysts ascribed the strength to France's decision to line up a \$4-billion commercial loan to provide funds for supporting the currency. Some, however, noted that the psychological boost is likely to be short-lived unless the French economy shows improvement soon.

The franc, which had recently dropped to record lows, was quoted at 7.0775 to the dollar late Thursday, up from an opening level of 7.1190, despite the dollar's strength against other currencies. The French currency also gained against the mark and was quoted at 282.12 per 100 DM, compared with an earlier 282.41.

Reuters quoted financial sources as saying that French support for the franc on foreign exchange markets totaled about 1.5 billion francs in the week ended last Thursday, compared with a total of 5 billion in the previous two weeks. The Bank of France's weekly balance sheet showed that foreign currency reserves fell 5.5 billion francs in the latest week, to 23.3 billion, but that holdings of European currency units rose 4.7 billion francs, to \$6.9 billion.

A drop in France's reserves has dogged the franc in recent weeks; dealers have said the decline might lead to another devaluation.

Stock Prices on Wall Street Narrowly Mixed

Reuters

NEW YORK — Prices on the New York Stock Exchange closed mixed Thursday with selling heavier in the blue-chip issues than the rest of the market.

The Dow Jones industrial average bounced back and forth all day and finished down 2.66 at 927.80. Advances led declines by around 330 to 730, and volume rose to 78.9 million shares from the 69.7 million traded Wednesday.

Analysts attributed the weakness in the market to uncertainty about interest rate trends and pessimism over the timing of any economic recovery.

Interest rates rose Wednesday after the Federal Reserve un-

expectedly drained reserves from the banking system. Thursday, economist Milton Friedman was quoted as saying short-term rates will rise again in coming months.

The market was also under pressure from the news that the factory use rate fell to 69.4 percent in August, its lowest since March 1975.

Analysts said that figure, combined with Wednesday's report that industrial production fell 0.5 percent last month, signals that the economic recovery will not start until at least the fourth quarter.

The market's huge August rally was sparked by expectations that short-term rates would continue to decline and that the economy would start to turn around in the third quarter.

But Hildegard Zagorski of the Bache Group said the market is still basically in an uptrend, and a rally could resume as soon as Friday.

The problem is that Wednesday's rally started too early. . . . The market is obviously tired and so is behaving in a choppy and volatile fashion," she said.

Wednesday, prices rose 7.46 points to close at their highest level since August 1981.

On the NYSE floor, rail and airline stocks were the weakest group in the market and the Dow transportation average slumped 6.60 points as a result.

Talks between the railroads and engineers broke off Wednesday and no new further negotiations have been scheduled.

Losers in the group included Burlington Northern off 1 1/4 to 43 1/2, Southern Pacific 1 1/4 to 33 1/2, CSX 1 1/4 to 43 1/2, American Airlines 1 1/4 to 16 1/2 and Southwest Air 1 1/4 to 50.

Crum & Forster was the biggest gainer, soaring 1 1/2 to 41 1/2 in heavy trading. A drop in France's reserves has dogged the franc in recent weeks; dealers have said the decline might lead to another devaluation.

Allied Corp. was the volume leader, up 1/4 to 25 1/2 on turnover of about 1.5 million shares.

CURRENCY RATES

Interbank exchange rates for Sept. 16, excluding bank service charges.

	\$	£	D.M.	F.F.	Y.	Sw.	S.P.	D.K.
Amsterdam	2.749	4.495	109.28	36.73	5.745	17.59	5.688	11.547
Bombay	48.21	32.42	18.264	4.808	3.015	17.59	5.688	11.547
Frankfurt	2.216	4.291	109.28	36.73	5.745	17.59	5.688	11.547
London (b)	1.7945	4.295	109.28	36.73	5.745	17.59	5.688	11.547
Paris	1.4148	2.444	109.28	36.73	5.745	17.59	5.688	11.547
New York	1.1728	4.295	109.28	36.73	5.745	17.59	5.688	11.547
Porto	7.2955	12.107	262.75	5.814	5.814	25.87	14.894	23.886
Zurich	2.1462	2.459	109.28	36.73	5.745	17.59	5.688	11.547
1 U.S.	0.7371	0.5491	2.2558	6.4653	1.20416	1.2555	45.3453	2.209
1 S.M.	1.0775	0.6317	2.7954	7.428	1.25472	2.9414	20.448	3.717

Source: Reuters

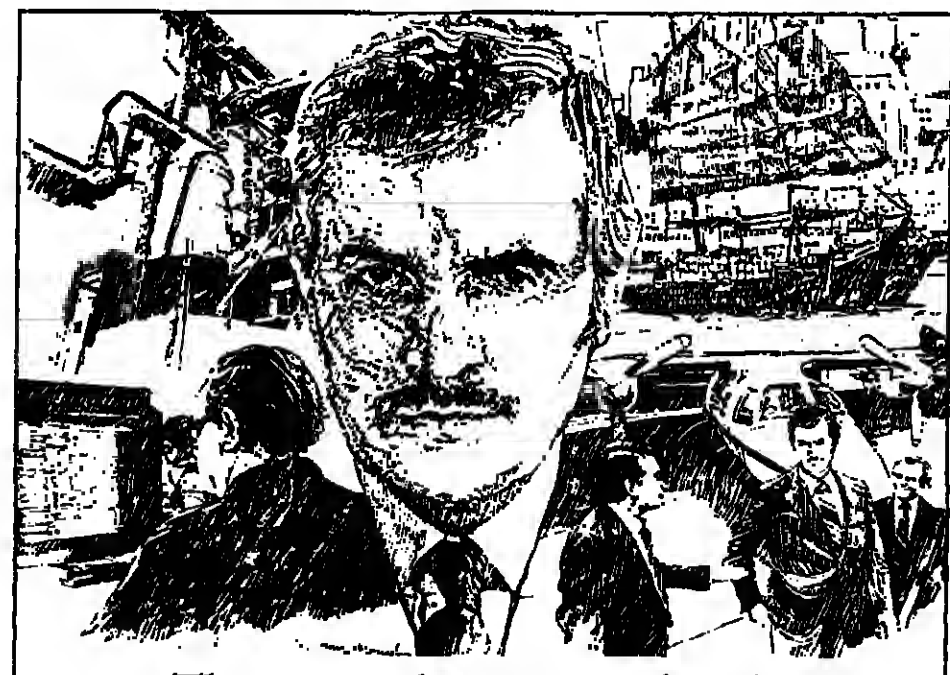
(a) Commercial franc. (b) Amounts needed to buy are shown. (c) Units of 100. (d) Units of 1,000.

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Try to Buy de Company

New York Times Service

The New York-based Icahn companies has disclosed an approximate 7-percent, one of the biggest textile United States, and that it

The Securities and Exchange Tuesday, Icahn said that it 100 shares, or 6.9 percent of billion shares outstanding, at apiece.

ended to request a meeting management to discuss "obt also said it would ask Dan selling some or all of its as-could include current man-

age, Dan River's vice pres- tations, said the company cahn filing and would have at this time. Dan River, million last year, produces a for apparel, home furnis- products, as well as lines of and carpets.

p's purchases make it the reholder in Dan River, so- percent owned by United, s textiles company. Dan Riv- board owns less than 1 mon, while a number of it-al of about 15 percent.

recent years has made in- ber of companies, had ac- ent of the common stock of Co. earlier this year. But a owned by BAT Industries a successful tender offer for d retailer and has since

London Exchange Draws on Chicago's IMM Formula for Success

By Peter Grange

A FINANCIAL futures contract is an undertaking to buy or sell a fixed quantity of specified financial instruments at a future date and at a price agreed upon by "open outcry" in a marketplace, and used for either hedging or speculating on future rates of interest or future exchange rates.

The structure and procedures of futures markets differ considerably from those used in cash markets. While terms may vary from one exchange to another, they all have certain common features: prices are indexed, a clearing house acts as guarantor for all transactions, margin deposits are required from participants, and all open positions are "marked to market" daily.

The London International Financial Futures Exchange is to a great extent modeled on the International Monetary Market in Chicago. The IMM pioneered the development of financial futures when it launched foreign exchange futures in 1972, and in the past 10 years they have become very big business, spurred on by the large and often unpredictable movements in interest rates and currency exchange rates.

When LIFFE opens for business at London's historic Royal Exchange on Sept. 30, trading will begin in two contracts: a three-month Eurodollar interest rate contract and a dollar/sterling currency contract. The exchange proposes to introduce a further five contracts within weeks of the opening: a 20-year gilt interest rate, a three-month sterling interest rate and three more currency contracts — dollar/yen, dollar/Deutsche mark and dollar/Swiss franc.

In broad terms, the market operates like this:

A corporate treasurer wants to buy a three-month Eurodollar contract at \$1 million for delivery in December. He places his order with a LIFFE member firm. This is transmitted in the floor of the exchange where a member or his appointee enters the trading pit designated for dealing in the Eurodollar contract and shouts out his intention to buy. Any other member/appointee with an order to sell a December contract shouts his price and, allowing for refinement by further shouting, if it is accepted, the deal is done.

The pricing system used for interest rate futures is new to London. The "bid" and "offer" prices shouted out in the pit use an index, the index being 100 less the annual rate of interest in basis points — which

means that 1 basis point is 0.01 percent. For example, if the Eurodollar deposit rate is 12.47 percent, the contract price is \$7.53.

LIFFE has opted for the index system because it believes most participants would prefer to retain the customary relationship between the bid and offer prices, keeping the former lower than the latter. Dealers in the Interbank markets, however, quote the rate of interest, which means that value falls when the quoted price goes up. It remains to be seen how the two markets will mesh.

An added complication occurs in the pricing of the gilt contract, which is priced in terms of a national 20-year, 12 percent government stock. The chances of finding a security in the market to match that description are very slim, so LIFFE will apply a price factor to translate the contract price into the price at which actual stock is deliverable against the contract.

Once the corporate treasurer's order has been executed, each of the dealers note the identity of the opposite party and completes a trading slip that goes to the clearing house. The clearing house checks the details — time, size, delivery month and price — and sends an endorsed statement to the customer who, after satisfying himself that the details are correct, returns it to the clearing house for registration.

Clearing Members

Only once a deal is registered does the clearing house interpose itself between the buyer and the seller, becoming the seller to every clearing member's open "bought" position, and the buyer to every clearing member's open "sold" position. Not all LIFFE members have clearing members — the authority to maintain an account and deal directly with the clearing house. Non-clearing members must clear all transactions through a clearing member who has to meet net-worth requirements laid down by the clearing house.

LIFFE's clearing house will be the International Commodities Clearing House, which is owned by the major British banks. Its primary role is to guarantee the performance of every transaction completed on the floor of the exchange. A key element in its ability to do this is the margin requirement it demands from both parties to a transaction.

To ensure against the possibility of either default on delivery, or one of the parties exceeding the limits of financial prudence, the clearing house demands a fixed deposit for each contract — the initial margin — immediately after a deal has been consummated. In the case of the

Eurodollar contract it is \$2,000, which is the equivalent of a 0.08 percent movement in the interest rate.

In addition, there is a variation margin representing gains or losses relative to the initial value of the contract. For as long as the position is outstanding, the contract will be marked to market by the clearing house at the end of each trading day, and any gain or loss added to or subtracted from the initial margin.

Clients holding loss-making positions will be asked to restore their initial margin accounts to the original level daily. Conversely, the credit arising from profit-making positions can be claimed from the clearing house, also on a daily basis. However, variation margins do not operate until a transaction has been registered.

In contrast to financial futures markets in Chicago, which claim to register a transaction in a matter of minutes, LIFFE's clearing system will not register it until 10 A.M. the following day.

Different Approach

Since the value of a basis point change — the minimum price movement — in LIFFE's Eurodollar contract is 0.01 percent, or \$25, a small change in the interest rate for Eurodollar deposits can have a major impact on margin accounts. But most financial futures markets have strict limits on price movement allowed on any one day, and they can have the effect of limiting the amount of variation margin. However, LIFFE has adopted a somewhat different approach.

In LIFFE's view, the imposition of price limits throughout the trading day prevents market users from closing out their positions, although the natural price level can be ascertained from continuing cash or forward markets. Instead, LIFFE favors a system where, if the price for a particular contract month reaches the upper or lower limit — the limit on the Eurodollar contract being 100 basis points, or \$2,500 — the market would be given notice of the lifting of price limits on all the delivery months in that particular contract for the remainder of the day.

LIFFE contends that this would contribute to the maintenance of an orderly market. The notice period would allow members and market users time to establish their positions accurately, assess the causes of the price movement and work out their strategy. It would also allow members to contact their customers and seek instructions.

LIFFE also proposes to lift price limits on all contracts during the last

two hours of the trading day to ensure true closing prices and do away with price limits altogether on contracts that have entered the four weeks from delivery period when being traded spot. The aim of this is to try and keep settlement prices in line with the cash market and to minimize the possibility of restrictions on trading.

Like any other futures market, LIFFE will be a vehicle for hedging and speculating rather than for delivery. Very few contracts will run to the delivery date, as positions will be closed out by offsetting sales or purchases. One reason for this is that under the rules governing some contracts, the seller can choose which of several instruments he will deliver. LIFFE's 20-year gilt, for example, permits delivery of any British government stock with 15 to 25 years to maturity. Obviously, the seller would deliver the cheapest one he could find, so to avoid the risk of being saddled with unsuitable stock, most positions are closed before the delivery date.

LIFFE's short-term interest rate contracts are based on either a three-month Eurodollar facility arranged by the seller at a London bank designated by the exchange, or a cash settlement at the buyer's option, based on a delivery settlement price ascertained by the exchange. Again, to avoid any uncertainty, most positions will be closed out before they are due for delivery.

LIFFE CONTRACTS

INTEREST RATE CONTRACTS:

Three-month sterling time deposit (trading unit £250,000) with optional cash settlement.

Three-month Eurodollar time deposit (trading unit \$1 million) with optional cash settlement.

20-year gilt (trading unit £50,000 nominal) based on a standardized 20-year, 12 percent British government stock.

CURRENCY CONTRACTS:

All traded against the dollar:

Sterling (£25,000)

Yen (12 million yen)

Deutsche mark (DM125,000)

Swiss franc (SF125,000)

Interest Rate Volatility Makes Futures Market Attractive Alternative

By Stephen D. Balsamo

THE PAST several years have been marked by unprecedented interest rate volatility, with record high interest rate levels affecting the earnings of most corporations and threatening the very existence of some.

The typical corporate treasurer already takes a number of measures to manage interest rate volatility, including spacing loan rollovers to avoid undue exposure to the level of short-term rates at any point in time and varying loan maturities in response to an interest rate outlook. These, and a number of other measures, can be considered a form of interest rate hedging.

More and more corporate treasurers are also adding financial futures to the list of possible interest rate management tools, and there are encouraging signs that European corporations will ultimately use the short interest rate contracts to be traded on the London International Financial Futures Exchange.

Interest rate hedging by corporations is steadily increasing on Chicago's financial futures markets. It is estimated that 10 to 15 percent of the short-term interest rate contracts traded represent hedging transactions by non-financial organizations. Average daily volume in the short interest rate contracts is more than \$40 billion in Chicago, so the corporate hedger's share could be \$4 billion to \$6 billion per day.

More Hedging

With LIFFE bringing financial futures trading more conveniently into the European time zone, the handful of European corporations using financial futures for hedging purposes could increase in 1983 as the exchange develops the necessary depth and liquidity.

The theory behind using financial futures contracts for interest rate hedging is that the borrower or investor identifies how a change in interest rates would affect him in a future period, based on a known or anticipated cash market transaction he will undertake at that time. He then attempts to create an equivalent opposite position in the futures market that will offset the financial impact of any change in interest rates that may occur between now and then.

The operation of such a hedge is best illustrated by an example using actual rates during the first half of 1982:

XYZ Breweries experiences a predictable seasonal build-up of inventory and receivables during the warm summer months when beer sales are highest, necessitating \$25 million of short-term borrowing for six months, beginning in late June. The company has a credit facility with a group of banks that provides these funds at LIBOR plus 0.5 percent. On March 1, six-month LIBOR was 15.25 percent, but the company treasurer was concerned that when the money was needed in June, the LIBOR rate would be higher.

After reviewing available alternatives, he decided to hedge the anticipated six-month borrowing by using financial futures. This is an interest rate risk that can be hedged by selling futures contracts of a financial instrument whose rates correlate well with six-month LIBOR. Since cash and futures prices tend to move in the same direction in response to underlying economic conditions and expectations, the opposite positions will tend to cancel each other out.

Basic Decisions

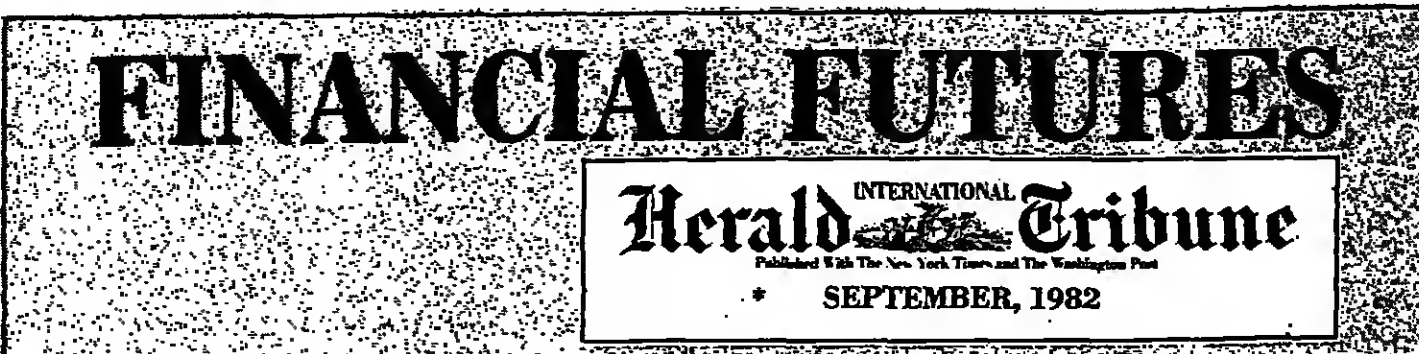
In constructing the hedge, however, the treasurer still had three basic decisions to make: which contract to use, which delivery month to deal in and how many contracts to sell.

He chose the three-month Eurodollar time deposit contract as the hedging vehicle because of the high correlation between Eurodollar time deposit rates and LIBOR. Next, he decided to sell the September contract month because it was the nearest delivery month beyond the date of his anticipated need for funds. The remaining question was how many contracts to sell, each contract having a unit value of \$1 million.

Since the futures contract relates to a three-month instrument and the borrowing to be hedged is for a six-month period, he calculated that 50 contracts — or \$50 million — should be sold to hedge his \$25-million exposure.

He later adjusted the number of contracts to 54, as statistical regression analysis indicated that when rates are rising, a move of 100 basis points in three month Eurodollar time deposit rate is associated with a

(Continued on Page 155)



A New Role for the Royal Exchange

Trading by 'Open Outcry' Will Return to 16th-Century Market Site

FOR THE PAST 60 years or so, the City of London's historic Royal Exchange has been like a top-batted, City bill-broker standing on a nudist beach — highly visible, classically overexposed and doing precious little business.

Since the last of the commodity market moved away to new premises back in the 1920s, the exchange has been used as an occasional exhibition hall for amateur painters and for sporadic bursts of fund-raising on behalf of various charities.

When the London International Financial Futures Exchange opens on Sept. 30, the Royal Exchange will be a marketplace again, and the shade of Sir Thomas Gresham, 16th-century England's wildest market operator, will rest the easier for it.

It was Sir Thomas who built the first exchange to stand on the site. He wanted, he wrote "... a costly bourse for merchants to assemble upon..." He was also determined to develop London as a trading center.

Links With Flanders

Sir Thomas's family had close trading links with Flanders, and his father, Sir Richard, had long urged the need for a London bourse modeled on the Great Bourse in Antwerp, then the most prosperous trading center in the world.

In 1551, Sir Thomas was appointed agent to the Crown in Antwerp, acting in turn for Edward VI, Mary Tudor (she dismissed him on religious grounds when she acceded to the throne, but he was re-established when the rate of interest moved 400 basis points against her), and Elizabeth I.

Sir Thomas was brilliantly successful, and it was due in no small measure to the premium he placed on information: "... having the brokers of exchange as I have, at my commandment, for there is never a bourse but I have note what money is taken up in ex-

change." He also had the vision to recognize the consequences of the religious strife in northern Europe that was to end the trade dominance of Antwerp.

Through the 1560s, Sir Thomas played a leading role in making England financially self-sufficient. "I would wish that the Queen's Majesty in this time should not use any strangers but her own subjects..." he advised. Elizabeth's government turned to the City of London for its needs — and turned and turned.

"Comely Bourse" In 1565, he laid the foundation stone of the exchange his father had proposed. He got his "comely bourse" — with the help of a Flemish architect, Flemish workmen and materials imported from Flanders — and not entirely unexpectedly it owed much of its design to the one in Antwerp.

When Elizabeth visited the exchange, after dining with Sir Thomas on the majestic presumption that eating his food would be adequate reward for having earlier cut his salary, she immediately

dubbed it "royal." And royalty did it burn to the ground in the Great Fire that destroyed most of the City in 1666.

Rebuilt in 1669 to the design of Edward Jarman, the Royal Exchange was deemed "the most beautiful, strong and stately building of its kind in Europe." Sadly, it was not strong enough to resist the flames that consumed it in 1838.

The Royal Exchange now standing was completed in 1844 under Sir William Tite, an architect of no great inspiration. His talents were slender compared with his contemporaries, but perhaps his appointment was apt — he could be called the commuter's architect: his other works include several railway stations and a cemetery.

Tite's exchange is fairly typical — fussy, early Victorian classicism although, with the exception of the windowless wall surrounding the Bank of England just across the street, it is not shamed by its neighbors. (Nor, unfortunately, by much else in the way of public buildings in the City — London Transport could reasonably urge

"See London — Travel by Underground.")

Apart from its splendid history, the Royal Exchange is admirably sited on the hub of the City's western approaches. The front face of the building with its corinthian portico and massive pediment makes for a very imposing entrance. The international piazza is much the same as the original although it has been enlarged and, later, covered in with glass.

The trading floor, of course, forms the trading floor, with separate pits where traders will buy and sell the various contracts in "open outcry." The surrounding loggias will house the members' booths, each packed full with electronic communications equipment and market information systems.

High at the rear of the building, a gilded bronze grasshopper posts information of a more prosaic sort: the famous crest of Sir Thomas Gresham shows which way the wind is blowing. Not everyone will see it. No matter, it must be chirruping away faster than a Reuters ticker-tape machine.

— PETER GRANGE

LIFFE's Long Gilt Contracts Widen Scope For Selling Short and Hedging Successfully

By Tony La Roche

IT HAS been plainly demonstrated in the United States that the needs of most investors, both public and institutional, can be met with the use of one good long-dated futures contract and another good short-dated one.

The London International Financial Futures Exchange will cover the long rate with a contract based on a 20-year government stock with a notional 12-percent coupon.

Each contract will be for £50,000 nominal of stock, and delivery may be made of any gilt-edged stock between 15 and 25 years to maturity. No variable rate or index-linked stock may be delivered nor any stock within the three weeks prior to its ex-dividend date, and interest must be payable half-yearly.

Delivery is at the seller's option and, therefore, the person who is short of the contract has an advantage as he can choose any business day during the delivery month to make delivery. Delivery months are March, June, September and December. Delivery will be handled by the International Commodities Clearing House according to laid down procedures.

In short, investors will now have the ability to buy or sell long-dated gilts at a price decided today for delivery at a future date.

The costs involved in dealing are the margin deposit and the brokers' commission charge. The minimum margin payable is 3 percent of the contract value, which is equivalent to £1,500. It must be remembered that this is the minimum margin payable and many brokers will require larger deposits to cover possible variations in the

market price. The cost of providing this margin, although small, must be taken into consideration when overall profit or loss is realized.

Commissions are freely negotiable but will, in any case, be considerably less than the equivalent cash marketing rate. Assume, for example, a £20 rate, which includes both opening and closing a position. The total payable for 20 contracts (that is £1 million nominal) would be £400 against around £1,250 in the cash markets. It must be remembered that commission rates will reflect a number of factors, including the type of brokers' service required and the anticipated volume of business.

The main users are likely to be the insurance companies, pension funds, investment management

(Continued on Page 155)

Self-Regulation Sets London Market Apart From U.S. Exchanges

IN SETTING up its contract terms and market procedures, the London International Financial Futures Exchange drew on the experience and practice of the Chicago Board of Trade and the International Monetary Market, the major financial futures markets in the United States.

LIFFE will no doubt be seeking to emulate the phenomenal success of the Chicago markets — the IMM is also based there — but in one important respect London and Chicago will be poles apart. Futures markets in London are self-regulating. Although the Bank of England keeps them under general surveillance, its role is not a supervisory one. The bank might occasionally point to a particular problem, but it leaves any subsequent action to the market concerned.

This policy of calculated laissez-faire contrasts sharply with the statutory regulations administered by the Commodity Futures Trading Commission in the United States. The CFTC, an independent federal agency, was created by an act of Congress in 1974, effective 1975.

The 1974 act expanded the number of commodities to be regulated from 25 to "all other goods and articles..." and all other services, rights and interests in which contracts for future delivery are presently or in the future dealt in." It also strongly reinforced legislation contained in the Commodity Exchange Act of 1968.

Draconian Act

To those who had previously been regulated by the Commodity Exchange Authority, the CFTC act seemed draconian.

It was granted injunctive authority in certain cases, it set up a reparations section to hear customer complaints and commissioned studies that led to regulations on dual trading — the floor broker trading both for himself and customers.

It also actively "approved" exchange rules rather than grant a passive "does not disapprove" status. It could levy fines of up to \$100,000 and order exchanges to take emergency action under threat of direct action by the CFTC itself.

It had the right to determine whether commodity options trading would be allowed on domestic markets — and, if so, under what conditions — and could redefine "hedging" — the future markets' raison d'être.

The CFTC went on to set up an enormous registration process for not only the previously registered "futures commission merchants" and "floor brokers," but also for new categories: "associated persons," "trading advisers" and "commodity pool operators."

Armed as it was, who could take on the CFTC? The Pacific Commodities Exchange tried, but was closed for failing to enforce its own rules. A big options firm was brought to heel for allegedly deceptive transactions. And an assortment of traders were caught dealing in fraudulent tax spreads.

The CFTC has a staff of auditors continually checking on the financial integrity of brokerage firms, who also make sure that customers' funds are properly accounted for and kept apart from the firm's assets. An investigation team is kept busy following up customer complaints, looking for signs of improper practices in the handling of customers' accounts and other irregularities in futures markets.

Program Checks

In addition, the CFTC has implemented a number of program checks designed to prevent price distortion and manipulation and excessive speculation. The programs are based on a detailed series of reports giving the positions of all clearing members in the market and of all the large traders.

The collected data is processed through the CFTC computer and reviewed on a daily basis by a staff of surveillance economists. All in all, the CFTC has a formidable array of monitors and investigators, but the cost of running such a wide-ranging operation is proving a political problem.

The Reagan administration seems determined to make the markets pay at least some of the CFTC's costs by extracting a "user's fee." It has gone as far as to threaten a veto on legislation reauthorizing the CFTC.

But it is the scope and rigor of U.S. regulations that emphasizes the contrasting approach of the Bank of England. In seeking to attain its regulatory aims by monitoring the daily positions of every large trader on U.S. markets, the CFTC came up against international legal barriers, particularly when it sought accounting details from international traders. The problem of regulating international business or futures markets has been the subject of considerable debate between British and U.S. authorities. The Bank of England is convinced that self-regulation is the right approach, contending that markets only reflect true value and work in a commercially realistic manner when they are left alone.

The Old Lady — as the bank is known in the City — rarely states, she "signals," "indicates" or uses other niceties to let "it" be known abroad, "it" being the interests of the City in general, and of Her Majesty's Government in particular — although the two are not always compatible.

This is not to suggest that the bank is passive, but delicacy, while it may be suited to the interbank markets in which the bank plays such a large part, is not everyone's approach to the much more speculative futures markets. It is not the approach favored by Prof. Jim Gower.

In a widely publicized report, Prof. Gower, a lawyer with the Department of Economics, University of Cambridge, wrote:

(Continued on Page 155)

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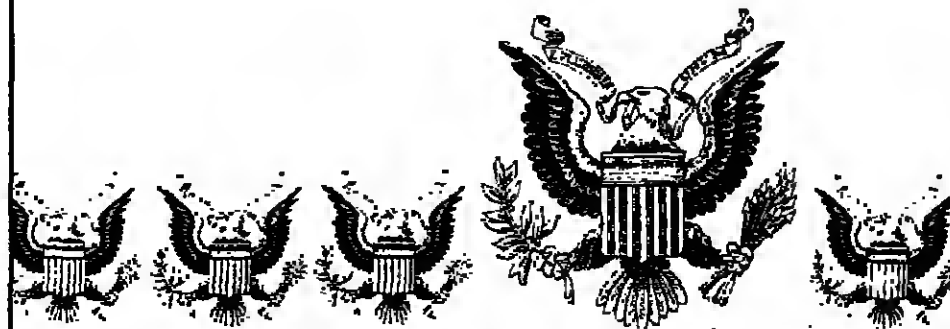
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Instant Flow of Data, Speed in Convertibility Limit Risk Exposures

By Ron Blonder

THE now famous and well-documented flight to financial futures trading enjoyed by a select few during the mid-1970s came to light when the Federal Reserve Board adopted a new anti-inflation policy attempting to restrict the growth of the nation's money supply and resulting in interest-rate disorders unprecedented in U.S. history.

As interest rates soared through 1981, most investment instruments issued in prior years plunged in value. Particularly hard hit by the upheaval were thrift institutions holding large numbers of low-interest mortgages. Their situation was so critical that the federal government granted them permission to use financial futures markets for hedging against interest-rate risk.

Others who joined the flight to financial futures trading to offset further erosion of portfolios included investment portfolio managers who use financial futures to hedge against rising rates and also to capitalize on small margin requirements; corporate treasurers carrying loans at high interest rates when rates are declining; brokers and professional traders who buy and sell for their own account; and consultants who manage accounts for clients. In addition, there are the speculators who seek to profit by trading the trend in interest-rate contracts.

To succeed in this highly competitive arena, participants must have extensive information about the price behavior of financial futures in previous days, weeks, months or even years, as well as instantaneous knowledge of what is currently happening on the floor of the exchange.

To be of any value, this information must be in a form that can be interpreted, comprehended, digested and acted upon quickly — for financial futures are as fast and convertible as any market in the investment world. It is the well-informed and nimble who will effectively use these instruments to limit their risk exposure.

There is little doubt that computer technology will be the dominating force in providing the lifeblood of this valuable information to those who require an instantaneous flow of financial data from around the world. This explains why no fewer than 28 computer vendors showed their wares at the Software and Data Systems Exhibition sponsored by the London International Financial Futures Exchange last June.

- **COMPUTER MANUFACTURERS** design general purpose computers to meet the requirements for specific user groups.
- **INFORMATION VENDORS** acquire, process and disseminate price data and information through Video Display Units via communication channels in real-time.
- **SOFTWARE** develops specialized programs for trading, administration, management and accounting requirements.
- **TIME SHARE** supports and maintains a wide range of data bases and applications usually accessible via a telephone communication network.
- **CONSULTANTS** specialize in computer services usually within a specific marketplace and can also manage accounts for clients. LIFFE members are likely to use at least one of these processing systems in their day-to-day trading activity.

For many firms, financial futures trading is relatively new, and this introduces problems that must be identified and solved before exchange trading ensues. Decisions must be made about the operational, processing, trading and clearing functions within the organization. It is a difficult task to select the right information and processing system from among the diverse computing technologies available. Each separate function must be carefully evaluated to achieve maximum performance and efficiency. The competition between member firms is fierce, with each claiming its own area of expertise — due, perhaps, to the nature of the marketplace itself.

Dealing Rooms

The speed and worldwide diversification of the international currency markets demand a more sophisticated dealing room to take advantage of arbitrage opportunities. Today's trading rooms must be equipped to cope with voluminous and reliable data, whose interpretation is essential at any given point in time.

Trading rooms, which used to be operations private and mysterious to the outside world, have become beehives of activity for expanding and developing new communications and trading areas to efficiently handle financial futures trading. As computer technology filters its way into these trading areas, some firms already boast that every trading decision is carefully worked out in advance via computer simulation. Computer technology is used to simulate probable results of buying and selling actions, and announced yield returns of 25 to 60 percent are common.

Manufacturers of VDU's and firms supplying data bases and software packages would apparently relish the prospect of this surge in new systems and the latest electronic communications equipment. The average-size trading member has invested approximately \$60,000 to \$1 million in personnel and associated equipment to participate in the new market. This may confirm that greater access to computer power makes it possible for traders to quickly and efficiently turn the reams of price data generated from world exchanges and major market-makers into a comprehensive and meaningful forecast.

The future development of processing and information systems looks very promising as record-breaking volume continues on the major futures exchanges. However, there are limitations — primarily in terms of data communications — because the introduction of new exchanges and new issues can be burdensome for these firms involved in disseminating raw data around the world in milliseconds. The daily transmission of data is already well over 1 million transactions.

Increased Volume

The information vendor must be able to allow for the increased volume of activity through existing channels of communications. With the advent of option futures trading, LIFFE and new issues being released from the various exchanges, the number of daily futures transactions alone may double the number of daily transactions. "It's like trying to shove the Atlantic Ocean through a one-inch funnel," one communications consultant said.

Perhaps the single most important development is the growing popularity of computer-generated graphics. Charts can create a picture worth a thousand numbers, capturing at a glance the patterns of price direction. It has become the fundamental analytical tool for an ever growing number of banks, pension fund managers, corporations, commodity firms and financial institutions. Having this enhanced perspective available at the touch of a keyboard is bound to continue, as only approximately 30 percent of the financial world currently uses computer graphic technology. By 1985, graphic displays will account for 60 percent of the financial marketplace.

The importance of computerized information will continue to play an ever-increasing role among financial firms striving to maintain their position on the market. As specialized firms supplying new data bases take advantage of the latest developments in technology, the recipients too will reap their rewards.

A Viable Alternative to Interest Rate Volatility

(Continued from Page 145)

108 basis point move in six-month Libor — a regression coefficient of 1.08. And on March 1, 1982, XYZ Breweries sold 54 September, 1982, Eurodollar time-deposit contracts at a price of 85.18 — an implied futures rate of 14.82 percent.

On 28 June, 1982, XYZ Breweries borrowed the \$25 million it needed from its banks. As the corporate treasurer had feared, six-month Libor had risen to 17 percent, so the six month borrowing was priced at 17.5 percent. The total interest expense for the borrowing would thus amount to \$2,187,500. But his hopes were realized: the rise in the six-month Libor rate was accompanied by a similar rise in the implied rate of the September Eurodollar time deposit contract to 16.32 percent, and thus a drop in price to \$3.68.

A 150-point Gain

XYZ cancelled out its previous sale by buying 54 contracts at this price and realized a future gain of 150 basis points per contract.

Since each basis point movement in the price of a \$1 million, three-month contract is worth \$25, XYZ profited by \$202,500 on its futures position.

Subtracting this gain from the

six-month interest cost of \$2,187,500 gave XYZ Breweries an effective borrowing cost of \$1,985 million on its \$25-million borrowing for an effective interest rate of 15.88 percent.

In this case, the hedge was 92.6 percent effective as the interest rate rise, which cost the firm \$218,750 in additional interest expense, was offset by the gain on the futures hedge. The hedge was not 100-percent effective because the movement in the cash and futures markets was not identical.

The difference between the cash market rate and the futures rate is called the "basis," and the risk that cash and futures rates will not move precisely in tandem is the "basis risk." In this example, the hedge was imperfect because the basis changed.

To some extent, the imperfection of the hedge can be predicted by using regression analysis of historic rate relationships and allowing for it by varying the number of contracts used. Careful construction and management of a hedge position should make it more effective, although perfection should not be expected.

The LIFFE Eurodollar time deposit contract should be an excellent hedging vehicle for European users who are exposed to Libor interest rate movements. The correlation between Libor and Eurodollar time deposit rates is very high, decreasing the uncertainty over the effectiveness of the hedge.

Cross Hedge

The T-bill contract should provide ideal to borrowers whose syndicated loans or floating rate notes are priced on a Libor basis but limited in their flexibility with regard to interest rate rollover periods.

Using financial futures to hedge interest rates need not be confined to U.S. dollar position — the LIFFE sterling time-deposit contract will provide a vehicle for hedging sterling interest rates.

Other major currencies can also be hedged by combining the Eurodollar interest rate contract with one of the currency contracts to be traded on LIFFE or with the appropriate foreign exchange forward contracts through a bank. In this way, a hedge in other currencies can be constructed.

Use of 'Add-on Index,' Innovations for Gilts Unify Quoting System

By Joe Flexi

THE DECISION by the executive of the new London International Financial Futures Exchange to quote prices in the U.S. manner (i.e. units of foreign currency expressed in dollars) instead of following London practice (dollar units expressed in foreign currency) highlights a long-standing problem in international money markets: the different ways in which prices are quoted and the effects on market efficiency.

In the deposit sector, the London market quotes the offered (lending) rate first. A price for 6-month Eurodollars is expressed as 12 3/4% in London, whereas elsewhere it is 12 3/4-3/4, the bid rate being placed first. Another complication arises from the increasing use of decimal quotations in the U.S., which allow for very fine spreads. To confuse matters still further, CDs are now universally quoted in decimals (and this does include London) since the American market is a major participant and has been able to impose its own usage.

LIFFE now intends to introduce a wholly new form of quotation to the London market. Its mechanics are not dissimilar to those of the bond market, except that prices can never rise above 100 as long as interest rates stay positive. The short-interest rate contracts will be quoted using what the International Monetary Market calls an "add-on index."

This simply means that the price is quoted as an index number (100 minus the rate of interest percent per annum in basis points). For example: a 3-month Eurodollar deposit contract with an interest rate of, say, 12.55, will be priced at 87.45. As interest rates change this price is adjusted, rising as interest rates fall and vice versa.

Interest on all sterling deposits and CDs is still computed on a 365-day year basis, against the now usual 360-day year basis. This gives rise to small but awkward problems in cross-currency transactions involving sterling. For example, the difference in the amount of interest on £1 million pounds over three months at 9 percent per annum is £315 according to which basis is used.

In the gilt sector the executive of the LIFFE has decided to introduce a system of quotation in which a gilt contract is quoted in 32s of a pound, using a hyphen instead of a period. Thus 103-16 is equivalent to 102.50, and 95-15 is equivalent to 95.4625 per £100 nominal value. This system of notation is new to London and may prove to be controversial. The most controversial move by the executive of LIFFE, however, is the decision to quote currency prices in the U.S. manner. The London foreign exchange market regards itself, not without justification, as the world leader and it will be interesting to see how this decision is viewed.

A London exchange dealer quotes in units of dollars, whereas his American counterpart quotes in units of currency expressed in dollars. For example: a quotation for Deutsche marks against dollars in London is 2.4905-15, in American terms the nearest equivalent is 4013-15.

This means that the London dealer is prepared to sell 2.4905 marks for \$1, and conversely asks 2.4915 marks in return for the surrender of \$1. The American dealer on the other hand is willing to surrender \$4013 for 1 mark, and asks \$4015 in return for surrendering 1 mark. This difference in quoting raises two problems: The first is that of incomplete transposition. The exact equivalent rate of 2.4905 is in American terms 4013-15, that of 2.4915 is 4013-65. Conversely, 4013 is 2.4919, and 4015 is 2.4906. For the London dealer this means that he has to widen his quotation to 2.4905-19 to cover the American price of 4013-15. On the other hand, the American dealer will have to quote 4013-16 to protect himself. And both will be loath to do so since this makes their prices less competitive.

In other words, as long as each dealer stays within his system there is no problem. When he switches between systems problems appear. The discrepancies outlined above may at first sight appear to be minimal. But when it is realized that in the London quotation, for example, each 0.001 represents \$100 per \$1,000,000 the problem becomes clear, since the amounts dealt in are very large.

The London foreign-exchange market generally does not favor the American system of quoting as it does not allow a sufficient degree of fineness. A London dealer can refine the DM/\$ quotation given above to 2.4905-06, which in American terms would come out as 401509-401525, and American dealers do not normally quote finer than one point.

The second problem is that of amount. London deals in round amounts of dollars, while the United States deals in round amounts of foreign currency. There is also the constant danger of confusion arising from the application of identical terminology to dissimilar fundamentals. The LIFFE experiment is a bold one. If it results in a more unified and standardized approach to dealing in the various financial markets, it will increase efficiency and so help the customer.

Regulations: Where London Market Differs

(Continued from Page 145)

ment of Trade, attacked self-regulating market associations for inadequately supervising their members and called for more robust regulations.

Prof. Gower's arguments will be given added emphasis by a report later this month of the London-based company Financial Intelligence & Research, which looks at the accounting methods of soft-commodity firms — those dealing in grains, sugar, coffee — belonging to the prestigious International Commodities Clearing House.

According to Financial Intelligence, only one or two of the 160 firms covered in the report segregate their own funds from the funds of their clients. Moreover, it says, the market rules governing the management of clients' accounts are not properly enforced.

The questions raised by Prof. Gower's and Financial Intelligence's reports, will in no way be

blunted by the imminent arrival of a third report, which Scotland Yard's Fraud Squad will be forwarding to the Director of Public Prosecutions.

The squad has been investigating the affairs of M.L. Dordford, a commodity brokerage firm that collapsed last December. A meeting of creditors revealed the debt of the firm was about \$5 million, and that Dordford apparently made a profit in only one of its seven trading years.

But the structure and rules so severely criticized by Prof. Gower are rooted in history.

London futures sprang from techniques developed in Chicago during the 1860s. But unlike Chicago futures, devised to cover the risks of domestic producers and stockholders, London futures stemmed from the need to cover risks in international merchandising,

with the risks shared among the merchants themselves. There was almost no speculation from outside the market, and little has changed over the years.

Most London futures brokers in the soft commodities markets are still closely linked to physical transactions because merchants often deal in shiploads. One effect of this is that the "traditional" broker has little time for the private speculation, who is usually scared of selling short and tends to buy relatively small lots.

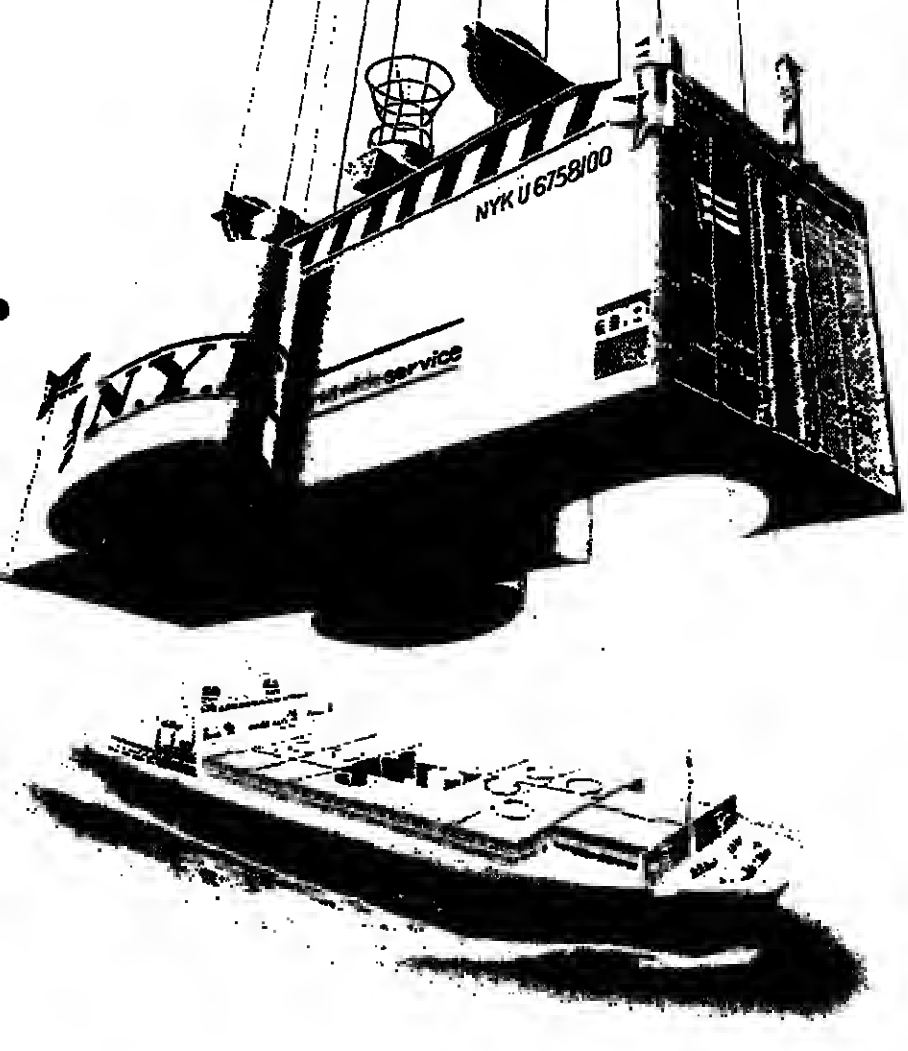
The general reluctance of traditional brokers to cater for private speculation seems to have turned into a lack of zeal for segregated accounts.

There are other reasons, such as the extra administrative costs and the complicated legal position. However, Prof. Gower's views have prevailed to the extent that the London Commodity Exchange

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